

2009

**ANNUAL REPORT
SUSTAINABILITY REPORT**

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Financial key figures

STATKRAFT AS GROUP	UNIT OF MEASUREMENT	ADJUSTED** 2009	2009	ADJUSTED** 2008	2008	ADJUSTED** 2007	2007	ADJUSTED** 2006	2006
From the Income Statement									
Gross operating revenues	NOK mill.	25 675	25 675	25 061	25 061	17 619	17 619	16 200	16 200
Net operating revenues	NOK mill.	19 796	16 983	19 319	23 601	14 000	13 261	14 970	16 945
– of which unrealised changes in values and non-recurring items	NOK mill.	-	-2 813	-	4 283	-	-739	-	1 975
EBITDA	NOK mill.	12 582	9 769	13 888	18 171	9 620	8 881	11 406	13 335
– reversal of write-down of wind farms	NOK mill.	-	-	-	307	-	-	-	-
– write-down of biomass plants	NOK mill.	-	-108	-	-	-	-	-	-
Operating profit	NOK mill.	9 947	7 027	12 029	16 618	7 981	7 242	9 918	11 847
Share of profit from associates	NOK mill.	1 033	1 179	2 153	935	2 643	2 613	1 803	2 009
– of which unrealised changes in values and non-recurring items	NOK mill.	-	146	-	-1 218	-	-30	-	206
Net financial items	NOK mill.	-327	4 281	-2 222	20 267	-1 317	-1 090	-1 143	-2 274
– of which unrealised changes in values and non-recurring items	NOK mill.	-	4 608	-	22 489	-	227	-	-1 131
Profit before tax	NOK mill.	10 654	12 487	11 960	37 820	9 307	8 765	10 578	11 582
Net profit	NOK mill.	6 468	7 716	8 097	33 262	7 031	6 632	6 945	7 735
From the Balance Sheet									
Property, plant & equipment and intangible assets	NOK mill.	-	80 516	-	77 035	-	57 817	-	58 276
Investments in associates	NOK mill.	-	16 509	-	14 387	-	32 131	-	30 634
Other assets	NOK mill.	-	46 980	-	52 877	-	20 164	-	14 153
Total assets	NOK mill.	-	144 005	-	144 299	-	110 112	-	103 063
Total equity	NOK mill.	-	64 901	-	72 324	-	44 418	-	44 565
Interest-bearing debt	NOK mill.	-	45 660	-	40 791	-	37 284	-	32 020
Capital employed, basic ¹⁾	NOK mill.	-	66 265	-	67 584	-	42 628	-	41 169
Cash flow									
Net change in cash flow from operating activities	NOK mill.	-	12 714	-	11 499	-	7 720	-	6 544
Dividend for the year to owner (incl. minority interests)	NOK mill.	-	10 260	-	8 396	-	6 462	-	5 598
Depreciation	NOK mill.	-	2 743	-	1 553	-	1 639	-	1 488
Maintenance investments ²⁾	NOK mill.	-	1 308	-	796	-	571	-	573
Expansion investments in new generating capacity ³⁾	NOK mill.	-	2 447	-	1 196	-	1 413	-	3 125
Investments in shareholdings ⁴⁾	NOK mill.	-	1 152	-	581	-	1 800	-	750
Cash and cash equivalents	NOK mill.	-	6 663	-	2 209	-	3 150	-	1 758
Unused drawing rights	NOK mill.	-	8 785	-	8 400	-	5 400	-	5 600
Financial variables									
FFO interest coverage ⁵⁾		-	5.9	-	7.5	-	5.3	-	7.5
FFO/Debt	%	-	18.7	-	35.8	-	18.9	-	25.6
Interest-bearing debt ratio ⁶⁾	%	-	41.3	-	36.1	43.4	45.6	41.8	41.8
Equity ratio ⁷⁾	%	-	45.1	-	50.1	47.7	40.3	43.2	43.2
Long-term rating – Standard & Poor's		-	A-	-	BBB+	-	BBB+	-	BBB+
Long-term rating – Moody's		-	Baa1	-	Baa1	-	Baa1	-	Baa1
Key figures, accounts									
EBITDA-margin ⁸⁾	%	49	38	55	73	55	50	70	82
ROACE before tax ⁹⁾	%	15.2	10.7	26.6	37.1	17.7	17.2	22.9	29.4
Net return on investments in associates ¹⁰⁾	%	6.3	7.1	15.0	6.5	8.2	8.1	5.9	6.6
Return on total assets after tax ¹¹⁾	%	5.8	7.0	9.9	27.9	8.3	7.4	7.9	8.6
Return on equity after tax ¹²⁾	%	10.2	11.9	15.6	57.0	14.7	16.7	15.0	16.0
Tax rate ¹³⁾	%	39.3	38.2	32.3	12.1	24.5	24.3	34.3	33.2
Key figures, upstream business *									
Production cost/MWh ¹⁴⁾	NOK/MWh	-	70.3	-	63.5	-	59.3	-	54.7
Production capacity ***	TWh	-	51.2	-	50.0	-	42.4	-	42.2
Production, actual	TWh	-	56.9	-	53.4	-	44.9	-	45.6
Installed capacity	MW	-	15 806	-	15 478	-	12 028	-	10 921
Wholly and partly owned power and district heating plants	Number	-	277	-	264	-	170	-	161
Key figures, downstream business *									
No. of distribution grid customers	1 000	-	275	-	273	-	271	-	268
Energy supplied	TWh	-	10.0	-	9.1	-	9.1	-	7.4
Distribution grid capital (NVE capital) ¹⁵⁾	NOK mill.	-	3 627	-	3 614	-	3 657	-	3 694
No. of end-user customers	1 000	-	397	-	401	-	401	-	67
Total volume supplied	TWh	-	11.6	-	11.4	-	2.2	-	2.0
Market variables *									
System price Nord Pool	EUR/MWh	-	35.0	-	44.7	-	27.9	-	48.6
Spot price, European Energy Exchange	EUR/MWh	-	38.9	-	65.8	-	38.0	-	50.9
Electricity consumption in the Nordic market	TWh	-	381	-	390	-	395	-	390
Electricity generated in the Nordic market, actual	TWh	-	372	-	391	-	393	-	379
Statkraft's share of Nordic electricity production	%	-	15.3	-	13.7	-	11.4	-	12.0

The numbers for 2006-2009 are in accordance with IFRSs.

* Key figures include consolidated companies (not associates) in Norway.

** Adjusted for unrealised changes in values and material non-recurring items.

*** Exclusive of gas power.

Non-financial key figures

	UNIT OF MEASUREMENT	2009	2008**	2007	2006
Environmentally friendly energy					
Production capacity *	MW	15 806	15 478	12 335	11 213
Of which hydropower	MW	12 774	12 546	10 573	10 676
Of which wind power	MW	305	245	245	245
Of which gas power ***	MW	2 160	2 130	1 210	-
Of which solar power	MW	3	-	-	-
Of which bio fuel	MW	16	16	-	-
Of which district heating	MW	548	541	327	292
Power production, actual *	TWh	56.9	53.4	44.9	45.7
Of which hydropower	TWh	50.1	47.4	42.7	45.2
Of which wind power	TWh	0.6	0.6	0.7	0.5
Of which gas power	TWh	6.1	5.4	1.5	-
Of which biofuel	TWh	0.1	-	-	-
District heating	TWh	0.9	0.5	0.5	0.4
Proportion of renewable power production	%	89.1	89.7	96.4	99.6

* Includes Statkraft's share holdings in subsidiaries where Statkraft has a majority interest.

** Includes power plants and district heating plants covered by the E.ON transaction and the consolidation of SN Power, and is applicable from January 2009.

*** Includes the jointly controlled Herdecke (Germany) and Kårstø (Norway) power plants.

Emissions and environmental non-compliances and incidents

Emissions of CO ₂ -equivalents	Tonnes	1 600 100	1 604 700	291 600	63 700
Environmental non-compliances and incidents *					
Serious environmental incidents	Number	0	1	-	-
Less serious environmental incidents	Number	118	21	-	-

* The definitions for environmental incidents and issues were changed in 2008.

Health and safety

Fatalities					
Consolidated operations	Number	2	0	0	0
Associates	Number	6	9	5	4
LTI	Number of lost-time injuries per million hours worked	3.8	4.6	5.9	6.3
TRI	Total recordable injuries per million hours worked	8.4	12.1	16.5	15.9
Sickness absence	%	3.3	3.9	3.9	4.1

Contributions to society

Distribution of value added					
Owner (incl. minority interests) *	NOK mill.	3 740	10 000	6 837	5 598
State and local authorities **	NOK mill.	6 202	5 524	3 301	4 878
Lenders	NOK mill.	3 756	3 066	1 717	2 087
Employees	NOK mill.	2 253	1 594	1 419	1 139
The company	NOK mill.	3 792	23 382***	-371	342
Statutory-priced industrial contracts					
Volume sold	TWh	8.8	8.3	10.3	13.1
Value lost (based on volume sold) ¹⁶⁾	NOK mill.	-981	-1 438	-587	-3 357
Concessionary fixed-price contracts					
Volume sold	TWh	2.7	2.6	2.9	2.5
Value lost (based on volume sold) ¹⁶⁾	NOK mill.	-581	-706	-395	-785

* Includes dividend and Group contribution from Statkraft AS to Statkraft SF, and minority interests.

** Taxes and fees includes taxes, property tax, licence fees and employers' contribution.

*** Changes in equity are mainly related to the E.ON asset swap.

Reputation

Reputation among professionals ¹⁷⁾ , *	%	91	80	84	74
Reputation among general public ¹⁷⁾	%	63	47	45	40

²⁾ Professionals include local authority chairmen and councillors, national politicians, employees in public administration, finance and specialist environments and the media.

Employment and recruitment

Full-time equivalents 31.12	Number	3 378	2 633*	2 287	2 087
Percentage of women					
Total	%	22	24	24	22
Managers	%	23	21	22	17
Apprentices 31.12	Number	93	48	49	47
Trainees 31.12	Number	29	35	23	14
Preferred employer ¹⁸⁾					
Business students	Ranking	25	43	53	33
Technology students	Ranking	5	15	28	41

* Includes 183 full-time equivalents in connection with the E.ON agreement.

¹⁾ Property, plant & equipment
+ intangible assets
+ receivables
+ inventories
- provisions for liabilities
- taxes payable
- other interest-free liabilities
+ provisions for dividend payable (NGAAP)

²⁾ Book value of maintenance investments to sustain current generating capacity.

³⁾ Book value of investments to expand generating capacity.

⁴⁾ Purchase of shares as well as equity increases in other companies.

⁵⁾ (Operating profit
+ financial income
+ depreciation
+ dividend from associates
- taxes payable)
Financial expenses

⁶⁾ Interest-bearing debt x 100
(Interest-bearing debt + equity)

⁷⁾ Total equity x 100
Total assets

⁸⁾ Operating profit before depreciation x 100
Gross operating revenues

⁹⁾ Operating profit x 100
Average capital employed, basic

¹⁰⁾ Share of profit from associates x 100
Investments in associates

¹¹⁾ (Net profit + financial expenses x 0.72) x 100
Average total assets

¹²⁾ Net profit x 100
Average total equity

¹³⁾ Tax expense x 100
Profit before tax

¹⁴⁾ Production cost, incl. property tax and depreciation, excl. sales costs, overhead, net financial items and tax
Normal output from power plants under own management

¹⁵⁾ Key figure used to calculate the revenue ceiling. Published at www.nve.no.

¹⁶⁾ The value lost on regulatory-priced and concessionary fixed-price contracts is defined as the estimated loss on politically determined contracts compared with the spot price.

¹⁷⁾ Percentage with a very good or quite good overall impression of Statkraft. Source: Synovate.

¹⁸⁾ Ranking as a preferred employer among recent graduates. Source: Universum Graduate Survey

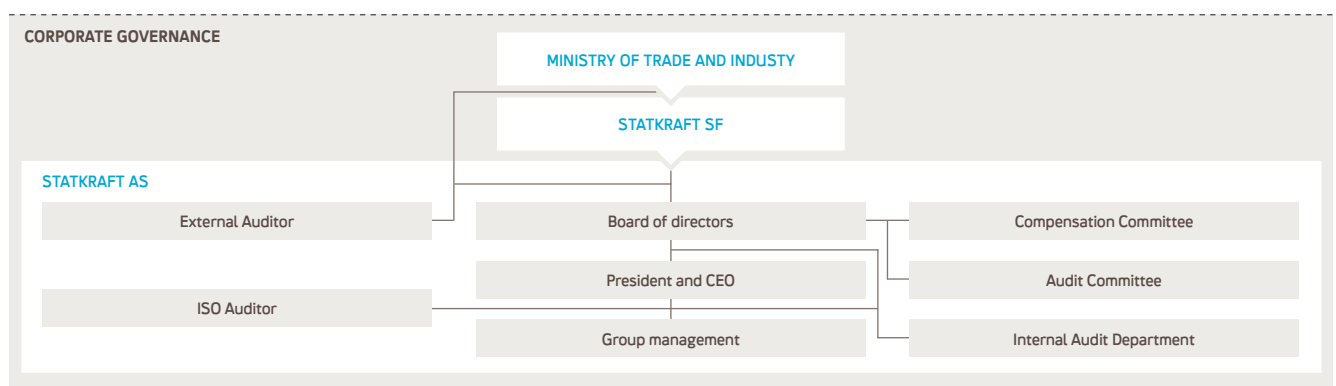


About Statkraft's annual report

This year, we have changed the format of the annual report. This printed report contains the corporate governance statement, the board of director's report and the financial and sustainability statements. The complete annual report with the executive management's review and supplementary information will be presented online. We hope this will make the information available in an efficient manner and reduce environmental impact and costs through less use of paper. The online version is available on our website www.statkraft.com or directly at annualreport2009.statkraft.com

Good corporate governance contributes to value creation

Statkraft's corporate governance shall contribute to sustainable and permanent value creation in the Group. Efficient and transparent management and control of business will form the basis for creating long-term values for the owner, employees, other stakeholders and society in general, and shall help engender confidence among stakeholders through predictability and credibility. Open and accessible communications shall ensure that the company has a good relationship with society in general and the stakeholders who are affected by the company's business in particular.



Corporate governance

Statkraft applies the Norwegian Code of Practice for Corporate Governance (NUES) within the framework established by the company's organisation and ownership. Non-compliances are attributable to the fact that Statkraft is not a publicly listed company and that the Norwegian state is the sole owner of the company, and restrictions contained in the Articles of Association. The non-compliances relate to non-discrimination of shareholders, tradability of shares, dividends and the annual general meeting. Statkraft also complies with the Norwegian state's ten principles for efficient corporate governance. The principles are based on how the state will act as an owner as well as what the state expects from the companies it owns.

A statement concerning follow-up of the items in the Norwegian Code of Practice for Corporate Governance is given below.

1. Corporate governance statement

The basis for the board of Statkraft's corporate governance work is the Norwegian Code of Practice for Corporate Governance.

The code has been applied to the extent permitted by the company's organisation and ownership. Non-compliances are attributable to the fact that Statkraft is not a publicly listed company and that the Norwegian state is the sole owner of the company, as well as restrictions contained in the Articles of Association. The non-compliances relate to non-discrimination of shareholders, tradability of shares, dividends and the annual general meeting.

Statkraft's policy for corporate governance establishes the relationship between the company's owner, board of directors and management.

2. Business

Statkraft's Articles of Association state that: "The object of the Company is, alone, or through participation in or cooperation with other companies, to plan, design, construct and operate energy production facilities, undertake financial and physical energy

trading, and operate businesses which are naturally associated with the same".

Statkraft AS is registered in Norway and its management structure is based on Norwegian company law. Statkraft is also subject to the Norwegian Securities Trading Act and stock exchange regulations associated with the company's debt obligations. In addition, the company's Articles of Association, vision, values, code of conduct, corporate governance policies and ethical guidelines are guiding for the company's business.

A summary of the Articles of Association, vision, values, code of conduct can be viewed at www.statkraft.com.

3. Share capital and dividend

Statkraft AS has a share capital of NOK 20 billion, divided among 200 000 000 shares, each with a face value of NOK 100.

In its Ownership Report (Report no. 13 to the Storting (2006-2007)), the Norwegian government states that the dividend from Statkraft will normally lie in the upper quartile. The government further states that it does not believe it necessary to introduce the Norwegian Companies' Act's normal regulations for determination of dividend from state-owned companies, i.e. the provision that company dividends should be kept within the limits recommended by such companies' boards does not apply. Statkraft will pursue a dividend policy that balances the payout ratio to its owner with the company's need for a dividend level that enables it to retain a reasonable share of the value created for further development of the company.

See note 35 for more information about the management of the capital structure and note 42 for shares and shareholder information.

4. Equal treatment of shareholders and transactions with related parties

All shares in Statkraft AS are owned by the state-owned enterprise Statkraft SF, which in turn is wholly owned by the Ministry of Trade and Industry. The Articles of Association of Statkraft SF and Statkraft AS ensure that transactions of material importance with respect to the objectives of the company or the nature of its business are referred to the state-owned enterprise, as the parent company. The current Norwegian government has resolved that Statkraft shall continue to be

wholly state-owned and has expounded its principles for management of the state's ownership in its Ownership Report.

See note 38 for further information about related parties.

5. Freely negotiable

Not relevant, only one owner, shares cannot be traded.

6. General meeting

The shareholder exercises supreme authority over Statkraft AS through the annual general meeting. In accordance with the Articles of Association the ordinary general meeting is held once a year by the end of June.

As the owner of all the shares, Statkraft SF will constitute the annual general meeting of Statkraft AS. In accordance with the Articles of Association of Statkraft SF, the corporate meeting of the state-owned enterprise, i.e. the Ministry of Trade and Industry, shall grant Statkraft SF authority to appear and vote at the annual general meeting of Statkraft AS.

7. Election committee

The state is the sole owner and determines the composition of the board.

8. The corporate assembly and board of directors, composition and independence

Statkraft AS has entered into an agreement with its employees' trade unions stipulating that the company will not have a corporate assembly, pursuant to the exception provisions of the Norwegian Companies' Act.

The board consists of seven to nine members, as determined by the annual general meeting, and the term of office is two years. Two or three members are elected by and from among the company's employees in accordance with the regulations of the Norwegian Companies' Act. The other members are elected by the annual general meeting. The current board has nine members. Of these members, three members have been elected by the employees based on the agreement that the company will not have a corporate assembly.

The Ministry of Trade and Industry reviews the composition of the board through an arrangement where the boards of Statkraft AS and Statkraft SF are identical. The objec-

tive is to achieve diversity in the board as regards expertise, industrial understanding, gender and geographical affiliation. Continuity is also sought on the board.

The board members are evaluated on the basis of their expertise and independence, which excludes, for example, employees of the owner ministry or individuals with commercial interests in the industry from being board members. The board shall furthermore be independent of the company's executive employees. The current challenges facing the company are taken into consideration in establishing the composition of the board.

9. The work of the board of directors

The board has established rules of procedure for the board of Statkraft AS that lay down guidelines for the board's work and decision-making procedures. The board's tasks are described in general by Norwegian company law and the company's Articles of Association. The rules of procedure also define the tasks and obligations of the President and CEO in relation to the board. The board evaluates the work and expertise of the CEO annually. The board evaluates its own performance and expertise annually.

The board's Audit Committee comprises three of the board's members. The Committee shall perform preparatory work in respect of the board's administration and supervision tasks in the following areas:

- Quality in external financial reporting
- Internal control in connection with financial reporting and asset management
- The external auditor's qualifications, the quality of external audits and the external auditor's independence
- The Group auditors' qualifications and the quality of internal audit work

At least one member of the Audit Committee shall have experience of accounts management, financial management or auditing. The committee has meetings with the external auditor to review the quarterly reporting and otherwise as required.

The board's Compensation Committee comprises the chair of the board and two other board members which make recommendations to the board with regard to the salary and other benefits paid to the President and CEO as well as on matters of principle related to salary levels, bonus systems and pension

terms, employment contracts and similar benefits for the company's executive managers. Under certain conditions this also applies to other Statkraft employees.

See Report from the Board of Directors, page 14 for more information about the work of the board of directors.

10. Risk management and internal control

Statkraft is exposed to risk in a number of areas and across its entire value chain. The management of risk is important for value creation and is an integrated part of all business activities and is followed up within the respective unit by means of procedures for the monitoring and mitigation of risk. Statkraft's total risk is monitored at Group level and is incorporated in reporting to Group management and the board.

As part of the Group's internal control system, Statkraft has established a corporate audit function to assist the board and management in making an independent and impartial evaluation of the Group's key risk management and control procedures. Corporate Audit shall also contribute to ongoing quality improvement in internal management and control systems. The Head of Corporate Audit acts as an advisor on ethical issues and notification body for unethical or illegal matters. The annual corporate audit report and auditing plan for the coming year shall be laid before the board.

Risk management and internal control has been further discussed in the Group's annual report on annualreport2009.statkraft.com. Risk matters are discussed in notes 32, 33 and 34.

11. Board remuneration

The board's remuneration reflects the board's responsibilities, expertise, time spent and the complexity of the activities. The compensation is not related to the company's results.

See note 36 for information about the board remuneration.

12. Remuneration to executive employees

The board's Compensation Committee evaluates the salary of the President and CEO and the rest of the company's management. Each of the members of the Group management,

except the President and CEO, has a bonus scheme which can give an annual disbursement up to NOK 500 000. The bonus is disbursed on the basis of attainment of individually specified objectives.

See note 36 for information about the remuneration to executive employees.

13. Information and communication

The board has stipulated guidelines for reporting financial and other information.

Statkraft emphasises open and honest communications with all its stakeholders and places the greatest focus on the stakeholders who are directly affected by Statkraft's business. The information the company provides to its owner, lenders and the financial markets in general shall permit an evaluation of the company's underlying values and risk exposure. To ensure predictability, the owner and the financial markets shall be treated equally, and information shall be communicated in a timely manner. Statkraft's financial reports shall be transparent, and provide the reader with a broad, relevant and reliable overview of its strategies, targets and results, as well as its consolidated financial performance.

14. Take-over of the company

N/A. Wholly state-owned

15. Auditor

The annual general meeting appoints the auditor based on the board's proposal and approves the auditor's fees. The auditor serves until a new auditor is appointed. The external auditing contract is normally put out to tender at regular intervals.

The board has meetings with the external auditor to review the annual financial statements and otherwise as required. The board evaluates the external auditor's independence and has established guidelines for the use of the external auditor for consultancy purposes. In accordance with the requirement to maintain the auditor's independence, Statkraft will only make limited use of the external auditor for tasks other than statutory financial audits.

The auditor will present an annual written report to Statkraft's President and CEO as part of the ordinary audit. The board is advised of the main elements of this report.

Report from the Board of Directors

In 2009, prices were substantially lower than in 2008, which was a good year during which Statkraft chose to maintain high production to exploit the high power prices. Compared with 2008, the Nordic system price was 22 per cent lower and the German spot price 41 per cent lower, while a comparison with the period 2004-2008 shows that the price reduction was 2 per cent for the Nordic region and 15 per cent for Germany. However, the incorporation of new activities from the swap trade with E.ON AG and the consolidation of SN Power as a subsidiary gave positive result contributions. The operating revenue increased somewhat as a result of these transactions. In 2009, Statkraft reduced its hydropower production in Norway to a level more in line with annual mean production.

The activity level in the organisation was very high in 2009, and several projects have moved decisively towards realisation. The Group has secured a solid potential for further growth however, the investment level depends on the owner's willingness to strengthen Statkraft's equity. In recent years, Statkraft has greatly emphasised the development of growth opportunities, and the Group is now entering a new phase with stronger focus on efficient project realisation.

IMPORTANT EVENTS

On 31 December 2008, Statkraft took possession of assets in hydropower, gas power and district heating through an asset swap with E.ON AG. Substantial resources were allocated to the integration of these new power plants in 2009. In total, the transaction increased the Group's production capacity by 2433 MW, or about 20 per cent.

In January, Statkraft increased its shareholding in SN Power from 50 to 60 per cent through a combination of a purchase of shares from Norfund and a private placement in SN Power in the amount of NOK 2 billion. The transaction increased the Statkraft Group's production capacity by 621 MW, primarily hydropower.

Hydropower In June, Statkraft acquired 95 per cent of the shares in Yesil Enerji from the Turkish company Global Investment Holdings. The acquisition gives Statkraft the rights to six hydropower projects in Turkey with the potential to generate a total of about 2 TWh annually.

Three new hydropower plants came online in 2009, Rødberg, Sylsjø and Håvardsvatn, with an annual total mean production of 44 GWh.

Småkraft commissioned seven new power plants in 2009, with a total annual mean production of 106 GWh.

In October, Tata Power and SN Power signed a cooperation agreement with the aim of developing new or buying existing hydropower plants totalling 4000 MW in India and Nepal by 2020. Of this, 2000 MW is expected to be realised by 2015.

In the second quarter, Statkraft established an office in Lyon in France to prepare for many of the French hydropower licenses coming up for tender in the years up to 2030.

Wind power The Forewind consortium, consisting of the partners Statkraft, Statoil, RWE npower and Scottish and Southern Energy plc., was awarded the Dogger Bank zone by the UK authorities in January 2010. The zone is located in the North Sea, between 125 and 195 kilometres off the coast of Yorkshire, and is the largest zone awarded in the third licensing round for development of offshore wind farms in the UK. The development potential is 9 GW. Statkraft owns 25 per cent of the consortium.

In March, Statkraft purchased 50 per cent of the shares in Statoil's project for the construction of the Sheringham Shoal Offshore Wind Farm off the Norfolk coast in the UK. The wind farm, which will be completed in 2011, will comprise 88 turbines and have a total installed capacity of 315 MW. The expected annual production for the project is 1.1 TWh.

Alltwalis Wind Farm in the UK came online in December. The wind farm in Wales has a total of ten turbines and an installed capacity of 23 MW.

The Totoral wind farm in Chile, where SN Power owns 80 per cent, was officially opened in January 2010. The wind farm consists of 23 wind turbines with a total installed capacity of 46 MW.

Two partially-owned companies in the UK, where Statkraft owns 50 and 33.9 per cent respectively, received their licenses in January 2010. The projects have an installed capacity of 18 and 52.5 MW. The licenses are valid and in force.

Statkraft Agder Energi Vind DA in Norway, where Statkraft owns 62 per cent, was granted a license for a wind farm in Rogaland in December. The project has an installed capacity of up to 150 MW. The license has been appealed.

In the fourth quarter, Statkraft SCA Vind AB in northern Sweden was granted licenses for the construction of six wind farms with a total installed capacity of 1140 MW. The licenses have been appealed.

In August, Statkraft and the Swedish forest industry company Södra signed a letter of intent relating to renewable energy. In October, the companies entered into a cooperation agreement, which includes Statkraft buying 90.1 per cent of Södra's wind power development company in southern Sweden. The portfolio contains projects in various stages of development, with an overall potential of about 634 MW of installed capacity. The first project was granted a license in October, but the license has been appealed.

Gas power As a result of the merger between Essent and RWE, the power purchase agreement between Knapsack Power GmbH and Essent was terminated on 11 November with effect from 31 December 2009. The intra-group power purchase agreement was also terminated. The terminations will result in streamlining of the operations.

The investment in Naturkraft has been written down by NOK 213 million in total in 2009, and by NOK 610 million since the power plant started production. The write-downs are due to the significantly diminished expectations for future spark spread, the margin between gas and energy prices, and the EUR becoming weaker vis-à-vis NOK. This has partially been offset by the power plant proving to be more flexible than assumed, so that more marginal periods with positive spark spread can be exploited.

German gas power had some downtime in 2009, both scheduled and unscheduled, resulting in relatively low production compared with total capacity. In addition, the low spark spread has contributed to relatively low production from the German gas power plants.

Other technologies Energy production at Statkraft's first solar park, Casale, started in December. The park, which lies south of Rome, has an installed capacity of 3.3 MW, and can produce 4.5 GWh.

In September, Statkraft and the Italian company Solar Utility SpA signed an agreement relating to the acquisition of eight ready-to-build solar power projects in the Puglia region in south-eastern Italy. The projects, scheduled for realisation in 2010, have a total capacity of almost 20 MW.

The osmotic power prototype at Tofte was officially opened in November. The construction of the prototype demonstrates that the technology works in an industrial plant.

Power agreements Statkraft and Boliden Odda have entered into a comprehensive agreement that was finalised in the second quarter and became effective as of 1 July. As part of this agreement, Statkraft and Boliden Odda signed two long-term industrial power agreements for the period 2009–2030. The agreement for delivery of around 20 TWh is the largest industrial power agreement Statkraft has entered into since 1998. Statkraft SF owns the power facilities in Tyssedal, but the waterfall rights and power plants are leased out to AS Tyssefaldene on terms set by the authorities. In line with the agreement, Statkraft acquired Boliden's 39.88 per cent



→ **ARVID GRUNDEKJØN**

Chairman of the Board
and Chair of Statkraft's
Compensation
Committee, board
member since 2004



shareholding in Tyssefaldene, which increased Statkraft's shareholding to 60.17 per cent. The remaining shares are owned by Eramet through the company DNN Industrier AS.

In 2007, Statkraft and the Swedish paper producer SCA entered into an agreement which includes a ten-year power delivery of 500 GWh per year to the paper mill Ortviken Pappersbruk. This power delivery started in June 2009.

The financial crisis in the autumn of 2008 put the negotiations with the power-intensive industry relating to long-term power agreements on hold. With the exception of the agreement with Boliden Odda, no major long-term power agreements were entered into in 2009. However, the demand to cover the need for short-term trading solutions has been substantial. Statkraft offers a solution to the power-intensive industry to cover this need, called energy service. This solution entails that Statkraft handles the companies' delivery of spot power quoted on Nord Pool, handling of the companies imbalances vis-à-vis Statnett as well as the need for short-term financial or physical hedging transactions. In Statkraft's total short-term industrial portfolio, eleven power-intensive companies, owning a total of 16 plants, have entered into energy service agreements. The total annual consumption of these companies is about 9 TWh.

In December, the Peruvian authorities and SN Power signed a power sales agreement relating to the delivery of about 9 TWh over 15 years from 1 July 2014. The agreement is contingent upon the Chevez power plant being built and completed by that date. An investment decision is expected by the fourth quarter of 2010.

Other In September, Trondheim Energi AS and TrønderEnergi AS agreed on the principles for a grid merger in Sør-Trøndelag County. The companies have started commercial negotiations with a shared intention of merging the grid companies Trondheim Energi Nett and TrønderEnergi Nett. The negotiations will continue in 2010.

At the end of 2009, Fjordkraft AS bought 100 per cent of the shares in Trondheim Energi Kraftsalg AS from Trondheim Energi AS.

In November, Christian Rynning-Tønnesen was appointed Statkraft's new President and CEO, to replace Bård Mikkelsen, who will resign in accordance with his employment contract. Rynning-Tønnesen has previously worked in Statkraft and comes from the position of chief executive in Norske Skog. He will become President and CEO of Statkraft on 1 May 2010.

FINANCIAL PERFORMANCE ¹

In order to give a better understanding of Statkraft's underlying operations, unrealised changes in value and material non-recurring items within the Group and associates have been excluded from the financial review for the Group and the segments. Further information on these items can be found in the section "Items excluded from the underlying profit" later in the report.

At the beginning of the year, Statkraft had a total installed production capacity of 14 857 MW, of which 2433 MW was added through take-over of power plants from E.ON on 31 December 2008. The increase is mainly in hydropower and gas power. From 2009, SN Power was consolidated as a subsidiary, this increasing the Group's production capacity by an additional 621 MW as a result.

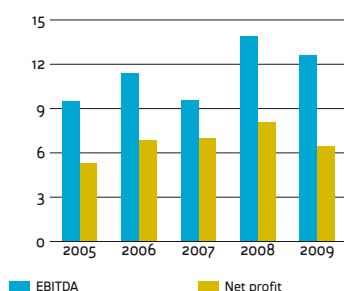
Annual profit The profit before tax for the year was NOK 10 654 million (NOK 11 960 million), while the profit after tax was NOK 6468 million (NOK 8097 million). However, 2008 was a historically good year, with both high power prices and high capacity utilisation. Both operating revenues and expenses increased in 2009 as a result of the added activities. The Group's production capacity increased by about 25 per cent in 2009.

Return on investment Measured in ROACE – operating profit/loss compared with average capital employed – the Group achieved a return of 15.2 per cent in 2009 (26.6 per cent). The decline of 11.4 percentage points is due to both higher average capital employed and lower operating profit.

The return on equity was 10.2 per cent after tax (15.6 per cent), and the return on total assets after tax was 5.8 per cent (9.9 per cent). The reduction is attributable to lower earnings, as well as higher average equity and total capital as a consequence of the E.ON transaction and the consolidation of SN Power.

EBITDA AND NET PROFIT, UNDERLYING OPERATIONS*

NOK bill.



* Unrealised changes in value and significant non-recurring items have been excluded. 2005 is NGAAP figures, 2006 has been revised to IFRS and 2007–2009 are IFRS figures.

¹ Comparative figures for 2008 are shown in brackets.

Operating revenues Gross operating revenues increased by 2 per cent to NOK 25 675 million (NOK 25 061 million).

The average system price for the year on the Nord Pool power exchange was 35.0 EUR/MWh (44.7 EUR/MWh) and the average spot price on the European Energy Exchange (EEX) in Germany was 38.9 EUR/MWh (65.8 EUR/MWh). Compared with the historically high prices in 2008, the decline was 22 and 41 per cent, respectively. Compared with the average prices for the years 2004–2008, however, the decline was less substantial, 2 per cent in the Nordic region and 15 per cent in Germany.

The Group produced 56.9 TWh (53.4 TWh) in total. Hydropower production increased by 2.7 TWh, of which 2.0 TWh relates to SN Power, which has been consolidated as a subsidiary since 2009. In addition, European hydropower production outside of Norway increased by 4.2 TWh as a result of new production capacity from the asset swap with E.ON AG. Lower prices and reduced demand from energy-intensive industry reduced hydropower production in Norway by 3.4 TWh. New gas-fired power plants in Germany and higher production at Kårstø in Norway increased gas-based power production by 0.7 TWh. Wind power production was somewhat higher than in 2008.

Lower prices resulted in net physical spot sales falling by NOK 2204 million to NOK 10 464 million. The revenues from the hedging activities and trading and origination compensated for most of the decline and increased by NOK 433 million and NOK 1171 million, respectively. The realisation of EUA and CER contracts worth about NOK 800 million in Germany in December is a significant factor in the improvement of revenues from trading and origination. These revenues are offset by reduced unrealised gains for energy contracts slightly exceeding NOK 600 million. Revenues from grid and end-user activities were on a par with 2008, but the income from the district heating activities increased by NOK 134 million as a result of new assets in Sweden from the asset swap with E.ON AG.

Power sales to the industry under politically determined contracts amounted to 8.8 TWh, resulting in an estimated revenue reduction of NOK 981 million compared with selling the same volume at spot price.

Other operating revenues amounted to NOK 960 million for the year (NOK 856 million). The increase is mainly from revenues from Tyssefaldene.

Energy purchases totalled NOK 4825 million (NOK 4416 million). The increase is primarily related to new district heating plants in Sweden from the asset swap with E.ON AG and the purchase of gas for the gas-fired production.

Transmission costs in connection with transport of power totalled NOK 1054 million (NOK 1326 million). The decline is due to lower power prices and production volumes in Norway. This is offset to some degree by new production capacity in Sweden.

Net operating revenues amounted to NOK 19 796 million (NOK 19 319 million).

Operating expenses The operating expenses were NOK 9849 million in 2009 (NOK 7290 million), an increase of 35 per cent from 2008. In excess of 60 per cent of the increase is related to added activities. The Group is in a strong growth phase, resulting in an increase in salary costs and other operating costs in the other activities.

Salary costs increased by NOK 663 million to NOK 2517 million, of which the added activities contributed slightly less than 60 per cent of the increase. Many exploration, engineering and development projects have resulted in an increase in the number of full-time equivalents. General wage increases and provisions for pension liabilities explain the rest of cost increases.

The increase in depreciation of NOK 775 million from 2008 is mainly related to new assets and the consolidation of SN Power. In total, depreciation for the year amounted to NOK 2635 million.

Property tax and licence fees increased by NOK 89 million to NOK 1166 million for the year. Property tax in Sweden increased as a result of new assets, while a lower calculation basis reduced the tax burden in Norway.

Other operating expenses amounted to NOK 3530 million. Of the increase of NOK 1030 million, about 55 per cent comes from new assets from the E.ON transaction and the consolidation of SN Power. The remaining increase is mainly from increased costs in power plants operated by

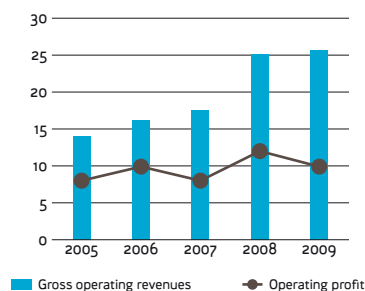


→ **ELLEN STENSURD**

Deputy chair,
board member
since 2007

OPERATING REVENUES AND OPERATING PROFIT,
UNDERLYING OPERATIONS*

NOK bill.



* Unrealised changes in value and significant non-recurring items have been excluded. 2005 is NGAAP figures, 2006 has been revised to IFRS and 2007–2009 are IFRS figures.

third-parties, a pre-engineering study in Albania, terminations of power sales agreements and the repair of Baltic Cable.

Operating profit The operating profit amounted to NOK 9947 million (NOK 12 029 million), of which new assets and the consolidation of SN Power contributed NOK 1005 million.

Share of profit from associates The share of profit from associates amounted to NOK 1033 million in 2009 (NOK 2153 million).

The decrease in this item in 2009 is attributable to the fact that at the end of 2008, the 44.6 per cent shareholding in E.ON Sverige AB was swapped for wholly owned assets within hydro-power, gas and district heating. Statkraft also acquired 4.17 per cent of the shares in E.ON AG. The dividend from these shares amounted to NOK 1093 million before withholding tax and was recognised as financial income in the second quarter.

The 2008 accounts included the profit shares from E.ON Sverige AB of NOK 1315 million for the period up to 18 June, when the board of Statkraft resolved to proceed with the asset swap with E.ON AG. Profit shares after this date were included in the calculation of gain and recognised in the income statement upon the completion of the transaction on 31 December 2008. Settlement took place in the second quarter of 2009.

Financial items Net financial items amounted to NOK -327 million in 2009 (NOK -2222 million).

The financial expenses were reduced by NOK 828 million compared with 2008. Interest charges fell by NOK 471 million as a result of lower market interest rates. In 2008, the Group's hedging transactions in EUR and bank deposits in foreign currencies yielded a loss totalling NOK 746 million, while they yielded a profit in 2009. This profit has been classified under other financial income. Skagerak Energi has added NOK 383 million to the Group's financial expenses in the form of loan losses and exercising of guarantee liabilities in connection with Cinclus Technology AS.

Financial income increased by NOK 1067 million compared with 2008. The increase is attributable to dividends from E.ON AG of NOK 1093 million. In addition, bank deposits in currency and hedging transactions in EUR have resulted in a currency gain of NOK 482 million. Average liquidity was higher in 2009 than in 2008, while falling market interest rates generated a reduced yield from the portfolio.

The Group has four loan portfolios in NOK, SEK, EUR and USD, respectively. The portfolios are exposed to both variable and fixed interest rates, with exposure to variable interest rates amounting to 67 per cent. The average current interest rates in 2009 for loans denoted in NOK were 4.1 per cent, in SEK 2.3 per cent, in EUR 3.9 per cent and in USD 4.8 per cent. Debt in USD is related to project financing in SN Power.

Statkraft has used hedge accounting in 2009 to reduce the volatility in the income statement. A larger share of the debt in EUR has been hedged against market rate changes.

Statkraft has entered into agreements with its financial counterparties for the settlement of interest and currency rate changes in value that limit counterparty risk resulting from derivative contracts to one week's changes in value (cash collateral).

Statkraft places significant amounts in banks and securities at times, particularly ahead of major payments. Counterparties are continually followed up to reduce the risk of losses.

Items excluded from the underlying profit

Statkraft AS Group

Figures in NOK million	Year	
	2009	2008
Unrealised changes in value energy contracts	-2 813	4 283
Unrealised changes, associates and joint ventures	547	-753
Unrealised changes in value currency and interest contracts	5 977	-3 102
Unrealised changes	3 711	428
Material non-recurring items	-1 878	25 433
Unrealised changes and material non-recurring items after tax	1 248	25 165

Total unrealised changes in value and material non-recurring items after tax in 2009 amounted to NOK 1248 million (NOK 25 165 million).

Unrealised changes in the value of energy contracts amounted to NOK -2813 million (NOK 4283 million). The Group's contracts are, for example, indexed against various commodities, currencies and indices. At the end of 2009, the falling USD exchange rate and rising price for oil-related products compared with the gas price in particular resulted in unrealised losses for the contracts. In addition, several major contracts were realised in 2009.

Unrealised changes in value of associates and joint ventures amounted to NOK 547 million (NOK -753 million).

Unrealised changes in value for financial items amounted to NOK 5977 million (NOK -3102 million), and are primarily related to currency effects. This applies to currency effects on internal loans, the shareholding in E.ON AG, debt denoted in SEK and EUR as well as currency hedging contracts.

Of the unrealised changes in value for financial items, a currency gain on internal loans amounted to NOK 4163 million. The gain arose mainly as a result of the strengthened NOK compared with EUR. Statkraft Treasury Centre (STC) provides loans to the Group's companies in the companies' local currency, of which a large percentage is in NOK. STC, which prepares its accounts in EUR, accordingly reports significant currency effects in its income statement. A contra item is recognised in equity for the foreign currency effects on the consolidation of STC.

Unrealised changes in value related to the E.ON AG shares which can be attributed to currency factors are shown as currency loss under financial items and amounted to NOK -3440 million in 2009. The Group's debt in EUR, which is lower than the cost price of the E.ON AG shares, has a currency gain which partly offsets the currency loss on the shares.

Debt in SEK and EUR resulted in an aggregate currency gain of NOK 3031 million for 2009. The unrealised changes in value result from a stronger NOK compared with SEK and EUR over the course of the year.

Unrealised changes in value for currency hedging contracts were positive and amounted to NOK 1408 million at the end of 2009. The reason is that the NOK has strengthened compared to EUR and SEK during the period. Statkraft uses currency hedging contracts to hedge future cash flows, and the contracts are mainly related to power sales denoted in EUR.

Changes in value for interest rate and inflation derivatives amounted to NOK -173 million in 2009, of which NOK -103 million is related to reductions in the value of the inflation derivatives.

Non-recurring items excluded from the calculation of the underlying profit amounted to NOK -1878 million (NOK 25 433 million). The amount in 2009 is related to write-downs as well as the settlement with E.ON AG, while the amount in 2008 is substantially related to gains from the sale of the shareholding in E.ON Sverige AB.

As a result of lower prices and foreign currency changes, the investment in Naturkraft AS has been written down by NOK 213 million in 2009. In total, the investment has been written down by NOK 610 million.

The district heating plants in Sweden, two German biomass plants and one hydropower plant in the UK were written down by NOK 189 million in total in 2009. The write-down was due to better knowledge of the plants and therefore a better basis for estimating future cash flows as well as continued difficult market conditions.

The La Higuera hydropower project in Chile has been written down by NOK 107 million as a result of delays and increased construction costs.

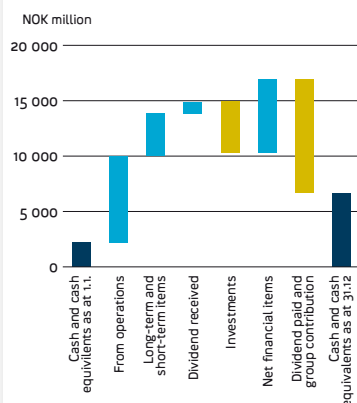
The profit on the sale of shares in E.ON Sverige AB was recognised as income as of 31 December 2008. The final settlement was completed in 2009, and NOK 149 million has been recognised as financial income which is excluded from the calculation of the underlying result. In the second quarter, loans from Statkraft AS to subsidiaries in connection with the sale of and the settlement for the shares in E.ON Sverige AB were repaid and replaced with internal loan agreements. The loans were denominated in EUR, which had a development which differed from that of SEK and NOK, resulting in a currency loss of NOK 1518 million. The currency loss has been recognised under financial expenses as realised, but it is excluded from the calculation of the underlying profit. The currency loss had no cash flow effect.



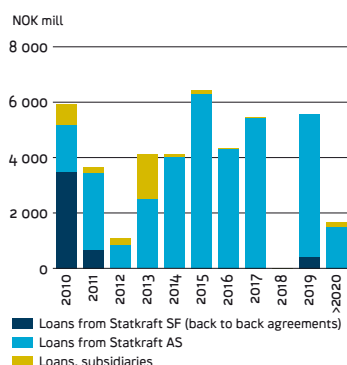
**HALVOR
STENSTADVOLD**

Chair of Statkraft's
Audit Committee,
board member
since 2003

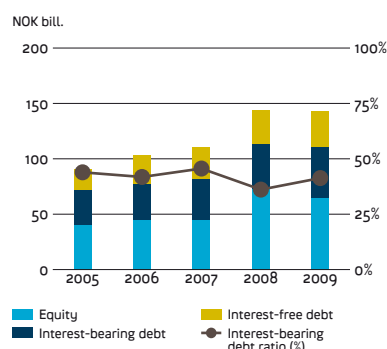
CASH FLOW 2009



LONG TERM LIABILITIES, DEBT REDEMPTION PROFILE



INTEREST-BEARING DEBT RATIO



Taxes The tax expense on the underlying profit amounted to NOK 4186 million in 2009 (NOK 3863 million), which corresponds to an effective tax rate of 39 per cent (32 per cent). The increase is mainly due to a significant reduction in tax-free income. The unrealised changes in value and non-recurring items increased tax costs by NOK 586 million (NOK 695 million).

Accounting tax expenses amounted to NOK 4772 million (NOK 4558 million).

Resource rent tax amounted to NOK 1428 million (NOK 1876 million), which corresponds to 30 per cent of the Group's total accounting tax expense, compared with 41 per cent in the same period in 2008.

Cash flow and capital Operating activities generated a cash flow of NOK 7781 million in 2009 (NOK 9880 million). Long and short-term items had a net positive change of NOK 3601 million (NOK -960 million). These items are composed of changes in working capital and accrual effects. Tied-up working capital increased by NOK 1725 million due to the final settlement from the sale of E.ON Sverige AB in 2009. Changes in value for derivative positions, cash collateral, shares in E.ON AG, as well as currency conversion of property, plant and equipment and debt resulted in a positive change of NOK 1876 million. Dividend received from associates amounted to NOK 1083 million (NOK 2579 million). The net change in liquidity from the activities was thus NOK 12 714 million (NOK 11 499 million).

Investments amounted to NOK 4678 million (NOK 3046 million). In addition to maintenance investments, the largest items were the purchase for NOK 469 million of 50 per cent of the shares in Statoil's project to develop the Sheringham Shoal offshore wind farm and the purchase of 95 per cent of the shares in Yesil Enerji of Turkey for NOK 523 million.

Both the international and the Norwegian credit markets were under great pressure in the latter half of 2008. Throughout 2009, liquidity improved significantly and credit margins fell. Credit margins remain high, however, compared with before the onset of the problems in the financial markets in 2007.

Statkraft was active in the Norwegian, Swedish and European bond markets in 2009. In total, new bond issues were made for NOK 3300 million in the Norwegian market, SEK 900 million in the Swedish market and EUR 1000 million in the European market. In addition, certificates totalling NOK 1660 million were issued in the Norwegian market. New borrowings totalled NOK 15 377 million. During the same period, bond and certificate debt totalling NOK 9378 million fell due.

There was a positive change in cash and cash equivalents of NOK 4703 million during 2009 and the Group's cash and cash equivalents amounted to NOK 6663 million, compared with NOK 2209 million at the start of the year. The high cash reserve is partly due to raising of new debt to meet future needs for capital.

Interest-bearing liabilities were NOK 45 660 million at the end of 2009, compared with NOK 40 791 million at the start of the year. The interest-bearing debt-to-equity ratio was 41.3 per cent, compared with 36.1 per cent at year-end 2008. The increase of 5.2 percentage points is due to a combination of increased debt and lower equity.

Loans from Statkraft SF to Statkraft AS totalled NOK 4.5 billion at the end of 2009, compared with NOK 7.2 billion at the start of the year. Guarantee premium payments to the Norwegian state have been reduced and amounted to NOK 38 million in 2009.

One of the paramount goals for Statkraft's financing is to establish and maintain financial flexibility and secure an even distribution of repayment maturities. Efforts are made to adapt new borrowings to the maturity profile.

Current assets, except cash and cash equivalents, amounted to NOK 15 020 million (NOK 19 784 million) and the short-term interest-free debt was NOK 15 775 million (NOK 16 245 million) at the end of 2009. Of this, energy and financial derivatives amounted to NOK 4645 million (NOK 7090 million) and NOK 4067 million (NOK 7687 million), respectively.

At the end of 2009, Statkraft's equity totalled NOK 64 901 million, compared with NOK 72 324 million at the start of the year. This corresponds to 45.1 per cent of total assets. The decline of 5.0 percentage points from the turn of the year is primarily due to dividend for 2008.

KEY FIGURES 2009 – SEGMENTS

SEGMENTS

NOK million	Statkraft AS Group	Generation and markets	Wind power	Emerging markets	Skagerak Energi	Customers	Industrial ownership	Other
Income statement – underlying operations								
Gross operating revenues	25 675	18 539	261	747	2 726	1 791	3 418	-1 808
Net operating revenues	19 796	15 242	246	686	2 690	802	245	-115
EBITDA	12 582	11 114	29	282	1 609	297	40	-790
Operating profit	9 947	9 435	-64	181	1 123	103	8	-838
Share of profit from associates and joint ventures	1 033	99	-15	198	-21	6	796	-30
Profit before financial items and tax	10 981	9 534	-78	379	1 103	109	803	-868
Unrealised changes in value and non-recurring items	-2 775	-3 427	-	-107	68	-23	577	138
Balance sheet								
Investments in associates and joint ventures	16 509	393	566	5 192	82	292	9 938	46
Other assets	127 496	70 218	2 177	2 792	15 136	3 913	2 767	30 493
Total assets	144 005	70 611	2 743	7 984	15 218	4 205	12 705	30 539
Investments, maintenance	1 308	594	26	150	289	143	-	106
Investments, new capacity	2 447	548	348	599	401	67	8	476
Investments in shares	1 152	-	826	-271	1	-	5	591
Work-force, health and safety								
Full-time equivalents	3 378	1 335	62	471	792	266	90	362
Sickness absence	3.3%	3.0%	3.2%	1.2%	4.5%	5.0%	4.7%	3.0%
LTI, number of lost-time injuries per million hours worked	3.8	4.3	-	0.8	6.5	8.7	-	-
Fatalities	8	-	-	7	-	-	-	1
Upstream business								
Installed capacity (MW)	15 806	12 956	268	649	1 359	508	-	66
Production, actual (TWh)	56.9	49.0	0.6	2.0	5.3	-	-	-
- of which hydropower	50.1	42.8	-	2.0	5.3	-	-	-
- of which gas power	6.1	6.1	-	-	-	-	-	-
- of which wind power	0.6	-	0.6	-	-	-	-	-
- of which bio fuel	0.1	0.1	-	-	-	-	-	-
District heating								
Heating supplied (GWh)	851	-	-	-	35	816	-	-
Number of customers (1000)	9.8	-	-	-	0.6	9.2	-	-
Downstream business								
Number of distribution grid customers (1000)	275	-	-	-	179	96	-	-
Energy supplied (TWh)	10.0	-	-	-	7.5	2.5	-	-
Number of end-user customers (1000)	397	-	-	-	-	82	315	-
Total volume supplied (TWh)	11.6	-	-	-	-	2.2	9.4	-

GOING CONCERN

In accordance with the requirements of the Accounting Act, the board confirms that the annual accounts have been prepared under the going concern assumption.

STATKRAFT'S ACTIVITIES

Statkraft is Europe's largest producer of renewable energy. The Group produces and develops hydropower, wind power, gas power, district heating and solar power, and is a significant player in the European energy exchanges, with specialist expertise within physical and financial energy trading. Statkraft has invested significantly in the innovation and development of marine energy, osmotic power and other new, environmentally friendly energy solutions. The Group has a large number of grid and end-user customers in Norway, and is the largest supplier of power to the Norwegian processing industry. Outside of Europe, Statkraft is engaged in energy production and development of new production through its subsidiary SN Power. The Group also holds



interests in other energy companies, both in Norway and the other Nordic countries, as well as a shareholding of 4.17 per cent in the German energy company E.ON AG.

To ensure a good structure for continued growth and profitability, the Group's operational structure was reorganised in the summer of 2008. The new organisational structure was chosen to accommodate the major changes arising from increased growth and internationalisation. The organisation provides flexibility and dynamics whereby new priorities and growth areas can be given visibility and be established as separate business units with clear responsibility for delivering results. The Group reports in accordance with how the Group management makes, follows up and evaluates its decisions. The segment structure is presented on the basis of the internal management information which the management periodically reviews and uses for resource allocation and goal attainment.

Statkraft's business is organised into six segments – Generation and Markets, Wind Power, Emerging Markets, Skagerak Energi, Customers and Industrial Ownership. Areas not shown as separate segments are presented under the heading Other. This includes Southeast Europe Hydro, Solar power, Small-Scale Hydro, Innovation and Growth and the 4.17 per cent shareholding in E.ON AG.

Generation and Markets segment is the largest segment, responsible for the operation and maintenance of hydropower plants and gas power plants in Europe, as well as physical and financial trading in energy and energy-related products in Europe. These business units are organised into one segment due to the close integration between operations, maintenance and energy optimisation. The production plants are generally flexible and include 182 wholly and partially-owned hydropower plants, five gas-fired power plants and two biomass plants. Total installed capacity is 12 956 MW. In addition to own power generation, extensive trading is performed in standardised and structured power contracts, gas, coal, oil and carbon quotas. Statkraft owns two-thirds of a 600 MW subsea cable between Sweden and Germany through the company Baltic Cable AB.

The Wind Power segment is responsible for the development, construction, operation and ownership of onshore and offshore wind farms in Norway and Europe. Responsibility for development and commercialisation of offshore wind power technology also rests with the segment. Development and construction projects are currently being implemented in Norway, Sweden and the United Kingdom. The segment has four wind farms in operation, Smøla, Hitra and Kjøllefjord in Norway and Alltwalis in the UK. The combined installed capacity of these wind farms is 268 MW. Further investments in wind power in Norway will take place through the company Statkraft Agder Energi Vind DA, where Statkraft owns 62 per cent and Agder Energi 38 per cent.

The Emerging Markets segment is responsible for the management and further development of ownership interests outside Europe, and currently consists of the ownership interest in SN Power (60 per cent from 13 January 2009), where Norfund owns the remaining 40 per cent. In addition, Theun Hinboun Power Company (THPC) (20 per cent shareholding) is managed on behalf of Statkraft SF. THPC is not included in the segment's financial figures. At the end of last year, SN Power had ownership interests in 17 hydropower plants in South America and Asia, as well as in one wind farm and one gas power plant in South America. The power plants have an installed capacity of 649 MW (SN Power's share). In addition, SN Power is also currently constructing and refurbishing 610 MW of capacity together with its partners. THPC owns one 210 MW hydropower plant which will be upgraded to 220 MW, and has two further hydropower plants with a combined installed capacity of 280 MW under construction in Laos. SN Power has been consolidated as a subsidiary since January 2009, while recognised as an associate in 2008.

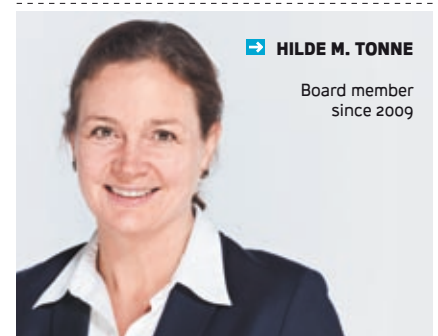
The Skagerak Energi group constitutes a separate segment. The activities are concentrated around power production, district heating and grid activities. Other activities involve fibre, natural gas distribution and electrical contractor activities and settlement activities. The company is owned by Statkraft (66.6 per cent shareholding) and the local authorities in Skien (15.2 per cent), Porsgrunn (14.8 per cent) and Bamble (3.4 per cent). The production assets cover 45 wholly and partially-owned hydropower and district heating plants with a total installed capacity of 1359 MW. The company has about 179 000 distribution grid customers.

The Customers segment comprises the distribution grid, district heating and power sales activities that are performed by Trondheim Energi. The segment has about 96 000 distribution

grid customers and 82 000 electricity customers. The district heating system in Trondheim and Klæbu has a total installed capacity of 297 MW, and supplies around 750 business customers and 7000 households with district heating. In Sweden, the segment has an installed district heating capacity of 211 MW which it supplies to about 1450 customers. The segment also covers property management.

The Industrial Ownership segment is responsible for managing and developing Norwegian shareholdings where Statkraft has industrial ambitions. The segment comprises the companies Fjordkraft, BKK (49.9 per cent shareholding) and Agder Energi (45.5 per cent shareholding). The former company is included as a subsidiary in the consolidated financial statements, while the other two companies are reported as associates.

The Other segment includes the business units Southeast Europe Hydro, Solar Power, Small-Scale Hydro, Innovation and Growth, along with the 4.17 per cent shareholding in E.ON AG, and Group functions and eliminations. In 2008 it also included the investment in E.ON Sverige AB (44.6 per cent shareholding). The shareholding was sold to E.ON AG on 31 December 2008. Statkraft received assets and 4.17 per cent of the shares in E.ON AG in settlement. From 2009, the shareholding in E.ON AG is being reported under the Other segment.



Strategy and vision

Vision As a leader in renewable energy in Europe, Statkraft will meet the world's need for cleaner energy.

STRATEGY Statkraft's strategy aims for continued profitable growth, both nationally and internationally, within environmentally friendly and flexible energy production. The Group has built up a large portfolio of projects, and will now focus on realising this portfolio.

The strategy indicates three main directions for further development.

→ **Industrial developer in Norway** Statkraft is the most important player in the work to supply Norwegian households and businesses with clean energy, and will be an active driving force in the development of the energy industry in Norway, and through this effort create profitable jobs and contribute to meeting the need for more clean energy.

The substantial assets related to the hydropower plants must be prudently managed. The ambition is to grow further through the development of new hydropower, wind power and district heating, as well through meeting the industry's need for long-term energy agreements.

→ **European flexible power producer** Statkraft must develop integrated market operations further by establishing a strong position within flexible assets in western Europe.

Existing power plants must be expanded and upgraded, and the flexibility in the power plants must be exploited to supply the market with green power when fluctuations in demand and prices make this attractive. Specialist expertise in market analysis, power optimisation, trading with energy production, as well as operations and maintenance must be exploited and further developed.

→ **Green global developer** There is a great need for development of renewable energy in order to meet the world's energy and climate challenges. This creates commercial opportunities, and Statkraft strives to establish a strong niche position within international hydropower and renewable energy sources.

Corporate governance Statkraft's corporate governance shall contribute to sustainable and a largest possible permanent value creation in the Group. Efficient and transparent management and control of the business will form the basis for creating long-term values for the owner, employees, other stakeholders and society in general, and will help build confidence among stakeholders through predictability and credibility. Open and accessible communications shall

→ **THORBJØRN HOLØS**

Employee-elected
board member,
board member
since 2002

ensure that the company has a good relationship with society in general and the stakeholders who are affected by the company's business in particular.

Statkraft's policy for corporate governance establishes the respective roles of the owner, board and operational management. Statkraft applies the Norwegian Code of Practice for Corporate Governance (NUES) within the framework established by the company's organisation and ownership. Recommendations related to equal treatment of shareholders, freely negotiable shares and general meeting are not relevant for Statkraft, which is not a listed company and has the Norwegian state as its only owner.

Statkraft has an audit committee, consisting of three board members, which prepares the board's processing of tasks related to financial reporting, internal control and audit. A compensation committee, consisting of the chair and two other board members, prepares the board's processing of issues related to wages and other benefits for the CEO. Matters of principle related to salary levels, incentive schemes, pension terms, employment contracts, etc. for the Group management are also dealt with in the committee. Under certain conditions this also applies to other Statkraft employees.

The work of the board of directors There were two changes to the board's composition in 2009. The members Aud Mork and Egil Nordvik were replaced by Hilde Tonne and Bertil (Pertti) Tiusanen. The board of Statkraft AS is also the board of Statkraft SF. The board held 13 board meetings throughout the year. In 2009, the board reviewed the Group's strategy.

In addition to monitoring the daily operations, a significant part of the board's work in 2009 was related to Statkraft's financial platform and the appointment of a new CEO to replace Bård Mikkelsen. The board emphasised finding a new chief executive for Statkraft with solid energy sector competence, experience from international business activities and proven good results. Christian Rynning-Tønnesen will take up the position on 1 May 2010.

Risk management and internal control The key risk factors for Statkraft are connected to market operations, financial management, operating activities and framework conditions. The international growth contributes to increased project risk, both in the concept and implementation phases. How we handle risk is important to value creation and forms an integrated part of all business activities. This is followed up in the respective units through risk monitoring procedures and risk mitigation measures. In addition, the mandate, competence and capacity of the Group risk function has been strengthened in 2010.

There are substantial volume and price risks related to power production and trading. Precipitation and winter temperatures are of great importance to the Nordic power market, resulting in major fluctuations for both prices and production volumes. In addition, power prices are influenced by the price of gas, coal and oil, as well as CO₂ quota prices. In addition, gas power production is directly exposed to both gas, oil and CO₂. Statkraft manages this market risk by trading in physical and financial instruments in several markets. The increased integration of the energy markets is of great significance for business models and risk management, and great emphasis is placed on seeing the different markets in an overall context. Internal authorisations and limits have been established for all trading, and these are subject to continuous follow-up.

The central treasury department coordinates and manages the financial risk associated with foreign currencies, interest rates and liquidity. The most important instruments in managing this area are forward currency contracts, interest swap agreements and forward interest agreements. Foreign exchange and interest rate risk are regulated through mandates. Furthermore, limits have been established for liquidity and counterparty risk. Both market risk and the other financial risk, as well as exposure connected to the issued mandates, are followed up by independent middle office functions, and are regularly reported to Group management and the board.

The operational risk is mainly handled by means of detailed procedures, emergency preparedness plans and insurance. A comprehensive system has also been established to map, record and report unsafe conditions, undesirable incidents and injuries, and these are continuously analysed.

Other risk is primarily related to general framework conditions and political decisions.

Climate changes can present both threats and opportunities, and are of importance for all the risks described above. Statkraft is therefore very concerned with the potential consequences of climate change.

Statkraft's board is committed to further strengthening the internal control in the Group. Consequently, a management system has been established that gathers all governing documents and facilitates a more efficient, systematic and uniform management of the Group, incorporating adequate formalisation, documentation and compliance. Systems for internal control over financial reporting have also been established to contribute to reliable financial reporting.

SUSTAINABLE VALUE CREATION

Ethical business operations and anti-corruption work The Group's business principles ("Statkraft's code of conduct") were revised in 2009. The principles were revised to better reflect the Group's international scope, developments in the relevant legislation and expectations from the owner and other key stakeholders. Statkraft's code of conduct defines the framework for ethical conduct and promotes awareness of ethical issues. The code of conduct is supported by more detailed guidelines and tools. At the beginning of 2010, Statkraft became a member of the UN Global Compact, and the code of conduct has been formulated to include Global Compact's ten principles.

The importance of the code of conduct is emphasised by the fact that all employees must actively confirm that they have familiarised themselves with the document, while compliance and follow-up is reported regularly. Education and dilemma training are key aspects of the work in connection with ethics. A series of dilemma training sessions and courses were held for managers and employees in 2009. A new anti-corruption manual will be launched in the spring of 2010. The manual contains an overview of relevant statutory rules, internal procedures as well as specific examples and challenges in connection with corruption. The manual will be supplemented by an interactive education program for all employees. Corresponding measures are being developed for other sections of the code of conduct.

Statkraft encourages its employees to discuss ethical issues and to report any breaches they discover. The Group audit is an independent notification channel with a right and duty to report to the board. No whistleblowing cases were recorded in 2009.

Environmental impact No serious environmental incidents were recorded in the Group in 2009, but 118 less serious environmental incidents were recorded. Most of these were in connection with minor and short-term breaches of the river management regulations and minor oil spills, and had little or no environmental impact.

Development projects in Statkraft are planned and carried out in accordance with the requirements in the International Finance Corporation's standard relating to sustainable behaviour. For the environment, this entails impact analyses as regards environmental impact and systematic handling of environmental aspects through the entire project process. In 2009, impact analyses were initiated for the Devoll project in Albania and the Çetin project in Turkey.

Statkraft's emissions of greenhouse gases amounted to 1 600 000 tonnes in 2009 (1 605 000 tonnes). The Group buys climate quotas in the voluntary CO₂ quota market to neutralise greenhouse gas emissions from fuel consumption, business travel and accidental emissions.

In 2009, Statkraft consumed 1359 GWh of electricity. All electricity consumed in the Group has been certified as renewable in accordance with RECS (Renewable Energy Certificate System). Statkraft generated 39 700 tonnes of hazardous waste, which was handled in accordance with applicable regulations. The bulk of this volume is residual products from the district heating plant in Trondheim.

A major project aiming to develop a comprehensive environmental management system was concluded in 2009. The results from the project include Group-wide guidelines for environmental management in Statkraft with description of requirements related to mapping of environmental risk and impact. The Group was recertified in accordance with the environmental management system ISO 14001:2004 in 2009. For the time being, the activities outside of Scandinavia are not encompassed by the certificate.



→ **ODD VANVIK**

Employee-elected board member, member of Statkraft's Compensation Committee, board member since 1993

EMPLOYEES

At the end of 2009, the Group had 3378 full-time equivalents (2633). During the past year, the increase in full-time equivalents was 28 per cent. Of the new full-time equivalents, 466, or 63 per cent, were added in connection with the consolidation of SN Power. The Group now has employees in 19 countries, and 28 per cent of the staff work outside Norway. The average age among Statkraft's employees is 45 years, while average seniority is 12 years. In 2009, the staff turnover rate in Statkraft was 2.3 per cent.

Several different surveys indicate that Statkraft is an attractive employer. In Universum's annual survey among graduate students, the engineering students ranked Statkraft fifth among Norway's most attractive employers, while the economics students ranked Statkraft in 25th place. Also in 2009, Statkraft was ranked one of Norway's best places to work among businesses with more than 250 employees (questionnaire survey carried out by Great Place to Work Institute Norway).

Statkraft strives to attain an even gender distribution in the Group, and more women in managerial positions. In 2009, 22 per cent of the Group's employees were women and the percentage of women in managerial positions was 23 per cent. The percentage of women on the board of directors is 44 per cent. The board follows up the work to achieve an even gender balance, including compliance with statutory requirements relating to gender distribution in the boards of subsidiaries and companies where Statkraft has major ownership interests.

Statkraft strives to attain a diverse working environment and promotes equal treatment in its recruitment and HR policy. Employees and others involved in Statkraft's activities must be chosen and treated in a manner which does not discriminate on the basis of gender, skin colour, religion, age, disability, sexual orientation, nationality, social or ethnic origin, political conviction, trade union membership or other factors.

Each year, Statkraft evaluates its organisation and management as regards strategy, competence, organisational aspects and working environment. The results from the evaluation in 2009 were, as in previous years, very positive and indicate that Statkraft's employees are satisfied and motivated in their jobs.

HEALTH AND SAFETY

There were a total of eight fatalities in connection with the international development projects in 2009, and another fatality in the period to mid-March 2010. This poses a challenge for Statkraft, and comprehensive HSE measures have been implemented to avoid future accidents. One contractor employee in Turkey and one person from a local community in Peru died in connection with consolidated operations, and seven contractor employees died in connection with associated project activities – five in India and two in Laos.

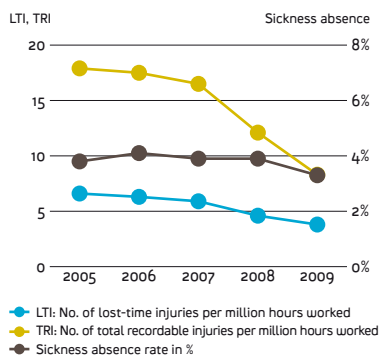
Five of the deceased worked at SN Power's Allain Duhangan project (India). Four of the fatal accidents took place in the first quarter of 2009, while the fifth took place in March 2010. As a consequence of fatal accidents, a new project manager was appointed in April 2009, and international experts in tunnel construction and HSE have become closely involved in the project.

Two contractor employees died during project work in Theun Hinboun Power Company (Laos) and one at Yesil Enerji's project in Cakit in Turkey. In addition, a person from the local community drowned in a duct in the Arcata power plant in Peru (SN Power).

Most of the accidents took place in connection with transport. Work routines in connection with transport have therefore been made more stringent in all projects. Statkraft works to achieve increased understanding for and compliance with safety requirements within all development projects it is involved. Health and safety work and performance are followed up directly in the projects and through the respective boards of directors.

The absence indicator LTI was 3.8 in 2009 (4.6), while the injury indicator TRI was 8.4 (12.1). In total, 24 lost-time injuries, 229 days absent and 53 injuries were recorded in 2009. In addition, 19 lost-time injuries were recorded among Statkraft's contractors. Increased focus on reporting and analysis of incidents, near-misses and unsafe conditions, as well as stricter requirements for investigation of serious conditions are assumed to be the causes of the positive development. Measures and efforts to minimise the number of injuries will continue to have high priority. The

INJURIES AND SICKNESS ABSENCE



Group has an expressed objective of learning the lessons from injuries, near-misses and unsafe conditions. In 2009, 5597 unsafe conditions and near-misses were recorded.

Absence due to illness in Statkraft was 3.3 per cent in 2009 (3.9 per cent). The company has a target of absence due to illness of less than 4 per cent. All Norwegian companies in the Group have entered into Inclusive workplace (IA) agreements, with active follow-up of absence and close cooperation with the company health service.

OUR ROLE IN SOCIETY

Statkraft is working to develop new production capacity which can contribute to long-term, reliable energy supply and we want to be a positive contributor in the societies in which we operate. We welcome a positive and open dialogue with all stakeholders and are working to develop the company in a manner which increases the value for the owner and the local communities and countries in which we operate.

Statkraft's economic value creation amounted to NOK 19 743 million in 2009. Of this, NOK 3740 million was returned to the owner as dividend and group contribution, while taxes and fees to the state and municipalities amounted to NOK 6202 million. Statkraft's total investments in 2009 amounted to NOK 4907 million (excluding loans given), of which NOK 2355 million was in Norway and NOK 2552 million abroad. Of these investments, 50 per cent were in connection with expansion of production capacity.

Statkraft's contribution to society includes knowledge enhancement and results created through innovation. We want to be a driving force in Norway's growing renewable energy and environment R&D sector. Our priority areas within R&D are channelled through three R&D programs within the areas marine energy, hydropower and customer activities. The budget for Statkraft's innovation projects in the period 2009–2011 is about NOK 500 million.

FRAMEWORK CONDITIONS

Statkraft's existing activities in Norway are influenced by framework conditions such as tax regulations, changes in the grid tariff regime, revisions of minimum waterflow provisions and other decrees from the Norwegian Water Resources and Energy Directorate, in addition to limitations in the transmission grid, general support schemes and regulations for the industry. The framework conditions can influence Statkraft's production, income and profitability. Correspondingly, Statkraft is exposed to framework conditions and regulations through its activities in the EU and emerging markets internationally.

The EU's renewables directive will have a great impact on Statkraft in the coming years. The directive sets binding goals for 20 per cent of total energy consumption to come from renewable energy by 2020. The European power prices alone cannot make new renewable technologies profitable. Most countries have therefore introduced subsidy systems to ensure growth for these technologies. The subsidy systems are national and vary significantly in both design and subsidy levels. There are two main subsidy systems: power transport tariffs and green certificates. Statkraft is exposed to subsidy schemes for the development of clean energy in a series of markets. Both known technologies such as land-based wind power and new technologies such as offshore wind, wave and tidal power are dependent upon financial support for realisation. Uncertainty related to the future scope and size of the various national subsidy systems is greatly emphasised when making investment decisions and will in the longer term be decisive for the development of new technologies.

The development of Europe's climate and energy policy makes Statkraft's advantages in environmentally friendly and flexible power production increasingly profitable. This applies to the further development of an integrated European energy market, the European CO₂ quota trading system and the goal of achieving 20 per cent renewable energy consumption. More wind power and other non-flexible power production increases the need for flexible production capacity. Outside of Europe, long-term prosperity development and climate challenges will drive demand for more clean energy.



→ **ASTRI BOTTEN LARSEN**

Employee-elected board member, member of Statkraft's Audit Committee, board member since 2002

ALLOCATION OF PROFIT

In the fiscal budget for 2010, the dividend from Statkraft to the Norwegian state has been set at NOK 3740 million, equalling 76 per cent of Group profit after tax and minority interests, adjusted for unrealised gains and losses. The dividend will be paid from Statkraft SF. In order to provide Statkraft SF with sufficient ability to pay dividend, the board proposes the following allocation of the net profit in Statkraft AS.

Amounts in NOK million

Net profit in Statkraft AS' company accounts	3 476
Allocation of profit for the year:	
Group contribution from Statkraft AS to Statkraft SF	7 420
Transferred from other equity	3 944

The parent company's distributable equity was NOK 16 570 million at year-end.

OUTLOOK

Statkraft is a leader in renewable energy in Europe with production and trading both in the Nordic countries and on the Continent. Through SN Power, the Group has established a solid foothold within renewable energy in South America and Asia.

Substantial uncertainty remains as regards the activity level in the power-intensive industry, both in the Nordic region and on the Continent. Forward prices for 2010 indicate a somewhat higher price level than in 2009. Little precipitation in the fourth quarter of 2009 and at the beginning of 2010 indicates that the hydropower production may be somewhat lower in 2010, while the current price situation for gas could provide a basis for slightly higher gas power production. The organisation has been strengthened in 2009 as a result of the large number of new projects. Overall, the result for 2010 is therefore expected to be on a par with 2009.

Statkraft has developed a major portfolio of projects which support the Group's threefold strategy; industrial developer in Norway, European flexible power producer and green global developer. This strategy supports Norway's environmental ambitions, the EU's climate goals and the need for a sustainable development facing countries in South America and Asia. The current market is still characterised by the effects the financial crisis has had for many players. This paves the way for some interesting opportunities for Statkraft, with its strong industrial position.

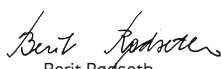
The majority government's political platform, presented in October 2009, stated the following: "the government will facilitate Statkraft's further development as a driving force within renewable energy".

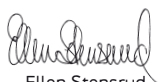
On 4 February 2009, the board presented Statkraft's strategic platform with the associated financial plan to the Ministry of Trade and Industry in the form of an recommendation for strengthened equity and reduced dividend levels. It is of great importance to the company to achieve clarification as regards the capital situation.

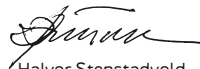
The Board of Directors of Statkraft AS

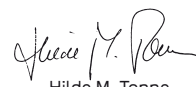
Oslo, 17 March 2010

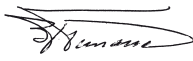

Arvid Grøndekjøn
Chair


Berit Rødseth
Board member


Ellen Stensrud
Deputy chair


Halvor Stenstadvold
Board member


Hilde M. Tonne
Board member


Bertil (Pertti) Tiusanen
Board member


Thorbjørn Holøs
Board member


Odd Vanvik
Board member

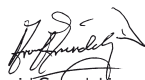

Astri Botten Larsen
Board member


Bård Mikkelsen
President and CEO

Responsibility statement

We confirm to the best of our knowledge that the consolidated financial statements for 2009 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that the financial statements for the parent company for 2009 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the board of directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the key risks and uncertainties the companies are faced with.

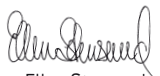
The Board of Directors of Statkraft AS
Oslo, 17 March 2010



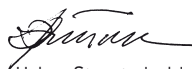
Arvid Grøndekjøn
Chair



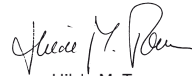
Berit Rødseth
Board member



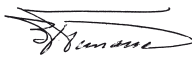
Ellen Stensrud
Deputy chair



Halvor Stenstadvold
Board member



Hilde M. Tonne
Board member



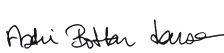
Bertil (Pertti) Tiusanen
Board member



Thorbjørn Holøs
Board member



Odd Vanvik
Board member



Astri Botten Larsen
Board member



Bård Mikkelsen
President and CEO

→ **Income Statement**

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Statement of Changes in Equity
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Income Statement

STATKRAFT AS GROUP

NOK million	Note	2009	2008
Sales revenues	7	24 715	24 205
Other operating revenues	8	960	856
Gross operating revenues	6	25 675	25 061
Energy purchases	9	-4 825	-4 416
Transmission costs		-1 054	-1 326
Unrealised changes in the value of energy contracts	10	-2 813	4 282
Net operating revenues		16 983	23 601
Salaries and payroll costs	11	-2 517	-1 853
Depreciation, amortisation and impairments	6, 17, 18	-2 743	-1 553
Property tax and licence fees	13	-1 166	-1 077
Other operating expenses	14	-3 530	-2 500
Operating expenses		-9 956	-6 983
Operating profit	6	7 027	16 618
Share of profit from associates and joint ventures	6, 19	1 179	935
Financial income	15	2 060	26 435
Financial expenses	15	-3 756	-3 066
Unrealised changes in value financial items	15	5 977	-3 102
Net financial items		4 281	20 267
Profit before tax		12 487	37 820
Tax expense	16	-4 771	-4 558
Net profit		7 716	33 262
Of which minority interest		184	250
Of which majority interest		7 532	33 012

Income Statement

Balance Sheet ←

Statement of Cash Flow

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Balance Sheet

STATKRAFT AS GROUP

NOK million	Note	31.12.09	31.12.08	31.12.07
ASSETS				
Intangible assets	17	2 277	2 481	1 589
Property, plant and equipment	18	78 239	74 553	56 228
Investments in associates and joint ventures	6, 19	16 509	14 387	32 131
Other non-current financial assets	20	21 939	25 169	2 944
Derivatives	24	3 358	5 716	2 096
Non-current assets		122 322	122 306	94 988
Inventories	21	1 247	699	303
Receivables	22	8 707	11 646	5 094
Short-term financial investments	23	421	349	347
Derivatives	24	4 645	7 090	6 230
Cash and cash equivalents	25	6 663	2 209	3 150
Current assets		21 683	21 993	15 124
Assets		144 005	144 299	110 112
EQUITY AND LIABILITIES				
Paid-in capital		31 569	31 569	31 569
Retained earnings		26 065	37 983	10 032
Minority interests		7 267	2 772	2 817
Equity		64 901	72 324	44 418
Provisions	12, 26	13 653	11 327	10 831
Long-term interest-bearing liabilities	27	36 342	30 639	30 361
Derivatives	24	4 016	3 612	5 625
Long-term liabilities		54 011	45 578	46 817
Short-term interest-bearing liabilities	28	9 318	10 152	6 923
Taxes payable	16	2 372	2 735	1 583
Other interest-free liabilities	28	9 336	5 823	3 542
Derivatives	24	4 067	7 687	6 829
Current liabilities		25 093	26 397	18 877
Equity and liabilities		144 005	144 299	110 112

The Board of Directors of Statkraft AS
Oslo, 17 March 2010

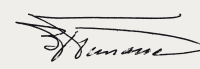

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Odd Vanvik
Board member


Astri Botten Larsen
Board member


Bård Mikkelsen
President and CEO

Income Statement
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Statement of Cash Flow

STATKRAFT AS GROUP

NOK million		2009	2008
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		12 487	37 820
Profit/loss on sale of non-current assets		13	-12
Depreciation, amortisation and impairments		2 743	1 553
Profit from the sale of shares		-	-25 591
Share of profit from associates and joint ventures		-1 179	-935
Unrealised changes in value		-3 164	-1 180
Taxes		-3 119	-1 775
Cash flow from operating activities		7 781	9 880
Changes in long-term items		-305	2 159
Changes in short-term items ¹		4 155	-3 119
Dividend from associates		1 083	2 579
Net cash flow from operating activities	A	12 714	11 499
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment, maintenance		-1 308	-796
Investments in property, plant and equipment, new capacity		-2 447	-1 196
Proceeds from sale of non-current assets		158	13
Capital reduction in associates and joint ventures		1 320	-
Business combinations, net liquidity accruing to the Group		-417	-
Loans to third parties		-1 410	-486
Repayment of loans		161	-
Investments in other companies		-735	-581
Net cash flow from investing activities	B	-4 678	-3 046
CASH FLOW FROM FINANCING ACTIVITIES			
New debt		15 377	6 525
Repayment of debt		-9 378	-7 551
Dividend and Group contribution paid		-10 260	-8 396
Share issue to minority		928	-
Net cash flow from financing activities	C	-3 333	-9 422
Net change in cash and cash equivalents during the year	A+B+C	4 703	-969
Currency effect on cash flows		-249	28
Cash and cash equivalents 01.01.		2 209	3 150
Cash and cash equivalents 31.12.		6 663	2 209
Unused committed credit lines		8 054	8 000
Unused overdraft facilities		731	400

¹ Changes in short-term items include a movement in receivables in connection with the swap agreement with E.ON AG of NOK 3250 million, changes in receivables and liabilities related to cash collateral of NOK 1832 million, changes in E.ON shares (net movement in currency and market price) of NOK 2976 million, as well as changes in currency of NOK -5822 million. Other effects include changes in working capital and derivative positions.

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STATEMENT OF TOTAL COMPREHENSIVE INCOME

NOK million	2009	2008
Net profit	7 716	33 262
Changes in the fair value of financial instruments	463	-
Estimate deviation pensions	81	-517
Translation differences	-8 304	3 335
Translation differences included in profit calculations	-	-931
Total comprehensive income	-44	35 149
Total comprehensive income attributable to:		
Shareholders of the parent	647	35 016
Minority interests	-691	133

STATEMENT OF CHANGES IN EQUITY

NOK million	Paid-in capital	Other equity	Accumulated translation differences	Retained earnings	Total majority interests	Minority interests	Total equity
Balance as of 01.01.2008	31 569	10 078	-46	10 032	41 601	2 817	44 418
Total comprehensive income for the period	-	35 595	2 421	35 016	35 016	133	35 149
Dividend and group contribution	-	-6 836	-	-6 836	-6 836	-198	-7 034
Equity holdings in associates and joint ventures	-	-229	-	-229	-229	-	-229
Capital increase	-	-	-	-	-	20	20
Balance as of 31.12.2008	31 569	35 608	2 375	37 983	69 552	2 772	72 324
Total comprehensive income of the period	-	8 048	-7 401	647	647	-691	-44
Dividend and group contribution	-	-10 000	-	-10 000	-10 000	-260	-10 260
Business combinations incl. liability of the option to increase shareholding in subsidiary	-	-2 561	-	-2 561	-2 561	4 475	1 914
Equity holdings in associates and joint ventures	-	-4	-	-4	-4	-	-4
Capital increase	-	-	-	-	-	971	971
Balance as of 31.12.2009	31 569	31 091	-5 026	26 065	57 634	7 267	64 901

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ACCOUNTING POLICIES

GENERAL INFORMATION

Statkraft AS is a Norwegian limited company, established and domiciled in Norway. Statkraft AS is wholly owned by Statkraft SF, which is in turn wholly owned by the Norwegian state, through the Ministry of Trade and Industry.

Basis of preparation of the financial statements Statkraft's consolidated financial statements for 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU. The Group has listed debt instruments and is therefore required to report its consolidated financial statements in accordance with IFRS.

Changes to accounting policies, new accounting standards and interpretations These financial statements have been prepared in accordance with all mandatory standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

Standards adopted in 2009:

- IFRS 8 – Operating Segments. The standard requires segment allocation to be based on management reporting. The standard came into effect on 1 January 2009. However, Statkraft used the opportunity to implement the standard early in connection with an internal reorganisation effective from 1 July 2008.
- IAS 1 – Presentation of financial statements. The standard has been updated, and from 1 January 2009 requires a presentation of total comprehensive income. Furthermore, the standard requires companies that reclassify or retroactively apply an accounting principle to also show the opening balance for the comparative period. Through the improvement project from 2008, the standard has also required classification of derivatives as both short-term and long-term items.
- IFRS 7 – Financial instruments – information. The standard

has been updated, and from 1 January 2009 requires more information relating to assets and liabilities measured at fair value. Changes have also been made to the requirements for information concerning liquidity risk.

The following standards have been updated effective 1 January 2009, but are not assumed to have any significant impact on Statkraft:

- IAS 23 – Borrowing costs. The standard has been updated and, prescribes the mandatory capitalisation of construction-related borrowing costs effective from 1 January 2009. Statkraft is already applying this policy.
- IAS 16 – Property, plants and equipment.
- IAS 19 – Employee benefits
- IAS 36 – Impairment of assets.
- IAS 40 – Investment property.

Relevant standards and interpretations issued at the time of presentation of the financial statements, but not adopted by Statkraft are:

- IFRS 3 – Business combinations. This standard has been updated and will, from the first accounting period starting after 1 July 2009, effect the way in which acquisitions are recognised. The main effects relate to the presentation and measurement of assets and liabilities connected to acquisition transactions and the treatment of transaction costs. The standard will thus affect Statkraft's future acquisitions.
- IAS 27 – Consolidated and separate financial statements. The standard has been updated and applies from the first accounting period starting after 1 July 2009. The standard requires that the effects of transactions with non-controlling interests (formerly minority interests) are recognised against equity as long as there are no changes in control. Such transactions will no longer generate any estimated goodwill

or income statement effects. The standard also deals with recognition in the event of loss of control.

- IFRIC 12 – Service concession arrangements. The interpretation provides guidance on the recognition of private companies' involvement in public infrastructures.
- IFRIC 16 – Hedges of a net investment in a foreign operation. The interpretation has been updated and will impact how the hedging of net investments in foreign operations can be treated as hedge accounting due to the fact that the hedging instrument is a financial instrument held by the same foreign operation that is identified as a hedged item.
- IFRIC 18 – Transfers of assets from customers. The interpretation will impact the manner in which assets transferred from customers are recognised.
- Supplement to IAS 27 – Consolidated and separate financial statements. The amendment to the standard addresses the presentation of the parent company financial statements as compared to the consolidated financial statements.

Other new standards and interpretations are not expected to have any significant consequences for Statkraft.

Comparative figures All amounts in the income statement, statement of total comprehensive income, statement of equity, cash flow and additional information have been given with comparative figures from the previous year. For the balance sheet, all amounts are given with comparative figures from the previous two years as a result of changes in the classification of derivatives. Any associated notes also give comparative figures from the two previous years.

SUMMARY OF IMPORTANT ACCOUNTING POLICIES

Consolidation and the consolidated financial statements The consolidated financial statements show the overall financial results and the overall financial situation for the parent company Statkraft AS and its controlling shareholdings in other companies presented as though they were a single financial entity. Intercompany sales and balances and gains and losses on intercompany transactions have been eliminated.

The consolidated financial statements include companies in which Statkraft has a direct or indirect controlling interest. A controlling interest normally exists when the shareholding, either directly or via other controlled units, exceeds 50%. Subsidiaries that are acquired or established during the year are included with effect from the date of acquisition or establishment.

Acquisitions In the case of acquisitions, the transaction date forms the basis for determining the cost price and assessments of excess value. The transaction date is deemed to be the time when risk and control has been transferred and normally coincides with the completion date. The cost price of shares in subsidiaries is eliminated against equity at the date of acquisition. Identifiable assets, liabilities and contingent liabilities are recognised at fair value. Any differences between cost price and fair value for acquired assets, liabilities and contingent liabilities are recognised as goodwill or recognised in income where the cost price is lower. No provisions are recognised for deferred tax on goodwill.

Associates and joint ventures Shares in companies in which Statkraft exercises a significant, but not controlling influence, and shares in companies with joint control (not partly owned power plants) are treated in accordance with the equity method. The Group's share of the companies' profit/loss after tax, adjusted for amortisation of excess value and any deviations from accounting policies, are shown on a separate line in the consolidated income statement. Such investments are classified as non-current assets in the balance sheet and are recognised at cost price adjusted for the accumulated share of the companies' profit or loss, dividends received, currency adjustments, and equity transactions.

The accounting policies applied for the acquisition of associates and joint ventures are the same as those applied for the acquisition of subsidiaries.

Co-owned power plants Co-owned power plants, which are those power plants in which Statkraft owns shares regardless of whether they are operated by Statkraft or one of the other owners, are accounted for in accordance with IAS 31. These power plants are recognised as joint ventures with Statkraft's share of income, expenses, assets and liabilities.

Leased power plants Power plants that are leased to third parties are recognised in accordance with the gross method. Gross leasing revenues are included in other operating revenues, while operating expenses are recorded under the relevant cost.

Revenues

Recognition of revenue in general Revenues from the sale of goods and services are recognised on an accruals basis. Earnings from the sale of goods are recognised when the risk and control over the goods have substantially been transferred to the buyer.

Power revenues Revenues from power sales are recognised as sales revenues on delivery. Realised revenues from physical and financial trading in energy contracts are recognised as sales revenues. Where these types of physical and financial contracts are covered by the definition of financial instruments (derivatives) in accordance with IAS 39, any changes in fair value are recognised under unrealised changes in the value of energy contracts. Realised revenues from trading portfolios are recognised on a net basis under sales revenues.

Distribution grid revenues Distribution grid activities are subject to a regulatory regime established by the Norwegian Water Resources and Energy Directorate (NVE). Each year the NVE sets a revenue ceiling for the individual distribution grid owner. Revenue ceilings are set partly on the basis of historical costs, and partly on the basis of a norm. The norm is there to ensure efficient operation by the companies. An excess/shortfall of revenue will be the difference between actual income and allowed income. The revenue ceiling can be adjusted in the event of changes in delivery quality. Revenues included in the income statement correspond to the actual tariff revenues generated during the year. The difference between the revenue ceiling and the actual tariff revenues comprises a revenue surplus/shortfall. Revenue surpluses and shortfalls are not recognised in the balance sheet and are disclosed in Note 41.

Dividend Dividends received from companies other than subsidiaries, associates and joint ventures are recognised in income to the extent that the distribution of the dividend has been finally declared in the distributing company.

Sale of property, plant and equipment On the sale of property, plant and equipment, the profit/loss on the sale is calculated by comparing the sales proceeds with the residual book value of the sold operating asset. Calculated profits/losses are recognised under other operating revenues and other operating expenses respectively.

Public subsidies Public subsidies are included on a net basis in the income statement and balance sheet. Where subsidies are connected to activities that are directly recognised in the income statement, the subsidy is treated as a reduction of the expenses connected to the activity that the subsidy is intended to cover. Where the subsidy is connected to projects that are recognised in the balance sheet, the subsidy is treated as a reduction of the amount recognised in the balance sheet. Subsequent depreciation and impairments on such investments are also recognised net in the income statement.

Foreign currency The consolidated financial statements are presented in NOK, which is also the parent company's functional currency. The Group has subsidiaries, associates and joint ventures that have other functional currencies. These are translated to NOK using the spot rate method. This means that balance sheet items are translated to NOK at the exchange rate in force at 31 December, while the income statement is translated using the weighted average exchange rate for the year. Translation differences are recognised in equity and included in the income statement on disposal of the unit.

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Transactions denominated in foreign currency are converted using the transaction date exchange rate. Balance sheet items in foreign currencies are valued at the exchange rate in effect at the balance sheet date. Currency effects are recognised under financial items. Gains and losses resulting from changes in exchange rates on borrowings intended to hedge net investments in a foreign unit are recognised directly in equity.

Financial instruments

General On initial recognition, financial investments are allocated to one of the categories of financial instruments described in IAS 39. The various categories that are relevant for Statkraft and the treatment to be adopted for the instruments included in each of these categories are described below.

Measurement of different categories of financial instruments

1) Instruments valued at fair value through profit or loss

Instruments compulsorily valued at fair value through profit or loss Derivatives are financial instruments that are compulsorily valued at fair value in the balance sheet. Other financial instruments held for trading purposes are also valued at fair value in the balance sheet. Changes in value are recognised through profit or loss. In the case of derivatives used as hedging instruments in a hedging arrangement, changes in value will have no impact on the income statement. In a fair value hedge, any change in the value of hedging instruments will be offset by a corresponding change in the value of the hedging object. In the case of cash flow hedges and hedges of net investments in a foreign operation, changes in value are recognised directly in equity. Derivatives consist of both stand-alone derivatives, and embedded derivatives that are separated from the host contract and recognised at fair value as if the derivative were a stand-alone contract.

At voluntary fair value through profit or loss In certain cases, financial assets and liabilities can be designated at fair value through profit or loss. The use of the fair value option is permitted where the financial instrument is included in a portfolio that is measured and followed up by management at fair value, or where recognition at fair value through profit or loss reduces what otherwise would have been a recognition inconsistency as a result of the application of different measurement methods for different categories of financial instruments.

- 2) **Loans and receivables** are measured at fair value on initial recognition together with directly attributable transaction costs. In subsequent periods, loans and receivables are measured at amortised cost using the effective interest rate method, so that the effective interest remains the same over the entire term of the instrument.
- 3) **Held-to-maturity assets** are non-derivative assets with payments that are fixed, or which are possible to establish, and where the unit has the ability and intention to hold such assets until maturity. This assumes that the assets are not covered by the definition of loans and receivables, are not designated at fair value through profit or loss and are not designated as available-for-sale.
- 4) **Available-for-sale assets** are assets that are designated as available for sale, or which are not included in any of the above categories.
- 5) **Financial liabilities** are measured at fair value on initial recognition together with directly attributable transaction costs. In subsequent periods, financial liabilities are measured at amortised cost using the effective interest rate method, so that the effective interest remains the same over the entire term of the instrument.

Principles applied to allocate financial instruments to different categories of instruments The following describes the guidelines that Statkraft uses to allocate financial instruments to different categories in cases where a financial instrument qualifies for recognition in more than one category.

Instruments compulsorily valued at fair value through profit or loss

Derivatives must always be recognised in the category designated at fair value through profit or loss. Financial contracts for the purchase and sale of energy and CO₂ quotas must always be designated as derivatives. Physical contracts for the purchase and sale of energy and CO₂ quotas that are entered into as a result of mandates resulting from trading, or which are financially settled, will be deemed to be financial instruments and must be compulsorily measured at fair value through profit or loss. Physical contracts for the purchase and sale of energy, CO₂ quotas and gas that are entered into as a result of mandates connected to Statkraft's own requirements for use or procurement in own production normally fall outside the scope of IAS 39, as long as such contracts are not resold or do not contain written options in the form of volume flexibility. Contracts entered into for different purposes are recorded in clearly separate books.

At voluntary fair value through profit or loss Financial instruments can be designated "at fair value through profit or loss" on initial recognition when these are included in a group of financial assets or liabilities that are managed on a fair-value basis. Statkraft's guidelines for the voluntary designation of financial instruments at fair value through profit or loss prescribe that all instruments that are treated within the mandates of short-term financial investments, within the placement of liquid assets (excluding bank deposits) and within equity instruments connected to CO₂ fund investments are to be automatically designated as such. Statkraft will normally not designate financial liabilities at fair value through profit or loss. Any such designation of financial liabilities must, if applicable, only be based on a concrete assessment of whether this type of designation would result in a more accurate presentation of the instrument.

Held-to-maturity assets Statkraft will not normally have any investments that qualify for designation in the held-to-maturity category. Designating an instrument in this category must, where applicable, only be made following a closer assessment of whether the criteria for such a classification are satisfied on the basis of an intention to hold the asset until maturity.

Financial instruments used in hedge accounting Financial instruments intended for use as hedging instruments or hedged items in hedge accounting are identified by reference to the purchaser's intention at the time of the acquisition of the financial instrument. If financial instruments acquired for financing purposes are acquired with the intention of achieving a financial hedging effect, a more detailed assessment of alternatives should be made in order to be able to document hedge accounting. Such assessments are not normally performed on an ongoing basis within energy trading even if the intention at the time of the procurement of the instrument was to use the instrument for hedging purposes. See also the more detailed description under the discussion of hedge accounting in Note 30.

Presentation of derivatives in the income statement and balance sheet Derivatives not relating to hedging arrangements are recognised on separate lines in the balance sheet under assets or liabilities. Derivatives with respective positive and negative values are presented gross in the balance sheet provided there is no legal right to the set off of different contracts, and such set-off rights will actually be used for the current cash settlement during the terms of the contracts. In the latter cases, the actual contracts will be presented net in the balance sheet. All energy contracts traded via energy exchanges are presented net in the balance sheet. Changes in the fair value of derivatives not used for hedge accounting are recognised on separate lines in the income statement. Changes in the value of energy contracts are presented on a separate line under revenues, while changes in the value of interest rate and foreign currency contracts are presented on a separate line under financial items.

Taxes

General Group companies that are engaged in energy generation in Norway are subject to the special rules for taxation of energy companies. The Group must therefore pay income tax, natural resource tax, resource rent tax and property tax. Property tax is classified as an operating expense.

Income tax Income tax is calculated in accordance with ordinary tax rules. The tax charge in the income statement comprises taxes payable and changes in deferred tax liabilities/assets. Taxes payable are calculated on the basis of the taxable income for the year. Deferred tax liabilities/assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of losses carried forward. Deferred tax assets are only recognised in the balance sheet to the extent that it is probable that the assets will be realised in the future. Tax related to equity transactions is recognised in equity.

Natural resource tax Natural resource tax is a profit-independent tax that is calculated on the basis of the individual power plant's average output over the past seven years. The tax rate is NOK 13/ MWh. Income tax can be offset against the natural resource tax paid. Any natural resource tax that exceeds income tax can be carried forward with interest to subsequent years, and is recorded as prepaid tax.

Resource rent tax Resource rent tax is a profit-dependent tax that is calculated at a rate of 30% of the net resource rent revenue generated by each power plant. Resource rent revenue is calculated on the basis of the individual power plant's production hour by hour, multiplied by the spot price for the corresponding hour. The actual contract price is applied for deliveries of concessionary power and power subject to physical contracts with a term exceeding seven years. Actual operating expenses, depreciation and a tax-free allowance are deducted from the calculated revenue in order to arrive at the net resource rent revenue tax base. The tax-free allowance is set each year on the basis of the taxable value of the power plant's operating assets, multiplied by a normative interest rate set by the Ministry of Finance. The normative interest rate for 2009 has been set at 2%. The regulations for establishing resource rent revenue were changed with effect from the 2007 fiscal year. From 2007 onwards negative resource rent revenues per power plant can be pooled with positive resource rent revenues for other power plants owned by the same tax entity. Negative resource rent revenues per power plant from the 2006 fiscal year or previous years are treated in accordance with the old rules, and can therefore be carried forward with interest and offset against future positive resource rent revenues from the same power plant. Deferred tax assets linked to loss carryforwards and deferred tax linked to other temporary differences are calculated by power plant on the basis of whether it is probable that the deferred tax asset will be realised within a time horizon of ten years. Provision for deferred resource rent tax is made at a nominal tax rate of 30%. The tax-free allowance is treated as a permanent difference in the year it is calculated for, and therefore does not affect the calculation of deferred tax connected with resource rent.

Deferred tax liabilities and deferred tax assets connected with income tax are recognised net provided these are expected to reverse in the same period. The same applies to deferred tax liabilities and deferred tax assets connected to resource rent tax. Deferred tax positions connected with income tax cannot be offset against tax positions connected with resource rent tax.

Classification as short-term/long-term Balance sheet items can be classified as short-term when they are expected to be realised within 12 months of the balance sheet date. With the exception of the items mentioned below, all other items are classified as long-term.

Financial instruments are recognised as short-term or long-term items in accordance with the general guidelines for such classification. This also applies to derivatives classified separately, with the exception of some derivatives that are hedging instruments in hedge accounting, where the derivatives are presented together with the hedging item. The first year's repayments relating to long-term liabilities are presented as short-term items.

Intangible assets Costs relating to intangible assets, including goodwill, are recognised in the balance sheet at historic cost provided that the requirements for doing so have been met.

Goodwill and intangible assets with an indefinite useful life are not amortised.

Research and development costs Research costs are recognised in the income statement on an ongoing basis. Development costs are capitalised to the extent that a future financial benefit can be identified from the development of an identifiable intangible asset.

Property, plant and equipment Investments in production facilities and other property, plant and equipment are recognised at cost less accumulated depreciation and impairments. Depreciation is charged from the time the assets are available for use. The cost of property, plant and equipment includes fees for acquiring or bringing assets into a condition in which they can be used. Loan costs in connection with major investments are calculated and recognised in the balance sheet. Expenses incurred after the operating asset has been taken into use, such as ongoing maintenance expenses, are recognised in the income statement, while other expenses that are expected to generate future economic benefits are recognised in the balance sheet. In the case of time-limited licences, provisions are made for decommissioning obligations, with the balancing entry to increase the recognised value of the relevant investment, which is subsequently depreciated over the licence period.

Costs incurred for own plant investments in the Statkraft Group are recognised in the balance sheet as facilities under construction. The cost consists solely of directly attributable costs. Indirect costs are not recognised in the balance sheet.

Depreciation is calculated on a straight-line basis over assets' expected useful economic lives. Residual values are taken into account in the calculation of annual depreciation. Land is not depreciated. Waterfall rights are classified as land and are not depreciated, since there is no right of reversion to state ownership and the assets are deemed to have perpetual life. Periodic maintenance is recognised in the balance sheet over the period until the time when the next maintenance round is expected to be performed. Estimated useful lives, depreciation methods and residual values are assessed annually.

When assets are sold or disposed of, the book value is deducted and any profits or losses are recognised in the income statement. Repairs and ongoing maintenance costs are recognised in the income statement when they are incurred. If new parts are recognised in the balance sheet, the parts that have been replaced are removed and any residual book value is recognised as a loss on disposal.

Investment property is recognised in the balance sheet at historic cost.

Leases A lease is recognised as a finance lease when the risks and returns incidental to ownership have been substantially transferred to Statkraft. In other cases leases are recognised on an ongoing basis on payment of the lease.

Impairments Property, plant and equipment and intangible assets that are depreciated are assessed for impairment when there is any indication that future earnings do not justify the book value. Intangible assets with an indefinite useful life are not amortised, but are subject to an annual impairment test. Impairments are recognised as the difference between the book value and recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

In assessing impairments, non-current assets are grouped into the lowest level of identifiable assets that can generate independent cash flows (cash-generating units). With the exception of goodwill, the possibilities of reversing previous impairment on non-current assets are assessed at each reporting date.

Inventories CO₂ quotas that are received or acquired in connection with Statkraft's emission requirements are measured at cost price and classified as intangible assets. All other CO₂

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quotas are deemed to be held for trading purposes and are recognised as inventories. Inventories of CO₂ quotas and green certificates held for trading purposes are measured at net realisable value. Other inventories are measured at the lower of cost price and net realisable value. The cost price includes the purchase price and other expenses that have been incurred in bringing the inventories to their current condition and location. Net realisable value is measured as sales value less expected costs to sell.

Cost price is allocated to specific inventories where possible. For exchangeable goods, cost price is allocated in accordance with the weighted average or the FIFO (first in, first out) method.

Cash and cash equivalents The item cash and cash equivalents also includes certificates and bonds with short residual terms at the time of acquisition. The market settlement for derivatives connected with financial activities (cash collateral) is recognised in the balance sheet.

Equity Dividends proposed at the time of approval of the financial statements are classified as equity. Dividends are reclassified as current liabilities once they have been declared.

Provisions, contingent assets and contingent liabilities Provisions are only recognised where there is an existing obligation as a result of a past event, and where it is probable that an outflow of resources embodying financial benefits will be required to settle the obligation. The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If material, account should be taken of present values in calculating the size of the provision.

No contingent assets or contingent liabilities are recognised.

Concessionary power, licence fees and compensation Each year concessionary sales are made to local authorities at statutory prices stipulated by the Norwegian Storting (parliament). The supply of concessionary power is recognised as income on an ongoing basis in accordance with the established concessionary price. In the case of certain concessionary power contracts, agreements have been made regarding financial settlement in which Statkraft is invoiced for the difference between the spot price and the concessionary price. The accounting treatment adopted within the industry for concessionary power contracts with financial settlement differs. Statkraft has elected not to include such concessionary contracts in the financial statements. The capitalised value of future concessionary power obligations is estimated and disclosed in Note 2.

Licence fees are paid annually to central and local government authorities for the increase in generating capacity that is obtained from regulated watercourses and catchment transfers. These licence fees are charged as expenses as they accrue. The value of future licence fees recognised in the balance sheet is estimated and disclosed in Note 13.

The Group pays compensation to landowners for the right to use waterfalls and land. In addition, compensation is paid to others for damage caused to forests, land, telecommunications lines, etc. Compensation payments are partly non-recurring and partly recurring, and take the form of cash payments or a liability to provide compensational power. The present value of obligations connected to the annual compensation payments and free power are classified as provisions for liabilities. Annual payments are recognised as other operating expenses, while non-recurring items are offset against the provision.

Pensions

Defined benefit schemes A defined benefit scheme is a retirement benefit scheme that defines the retirement benefits that an employee will receive on retirement. The retirement benefit is normally set as a percentage of the employee's salary. To be able to receive full retirement benefits, contributions will normally be required to be paid over a period of between 30 and 40 years. Employees who have not made full contributions will have their retirement benefits proportionately reduced. The liability recognised in the balance sheet which relates to the defined benefit scheme is the present value of the future retirement benefits that have accrued at the balance sheet date, reduced by the fair value of the plan assets and including non-recognised expenses connected with previous periods' accrued retirement benefits. The present value of future benefits accrued at the balance sheet date is calculated by discounting estimated future payments at a risk-free interest rate. The retirement benefit liability is calculated annually by an independent actuary using the linear accruals method.

Actuarial gains and losses attributable to changes in actuarial assumptions or base data are recognised in equity on an ongoing basis after provisions for deferred tax.

Changes in defined benefit pension liabilities attributable to changes in retirement benefit plans that have retrospective effect, where these rights are not contingent on future service, are recognised directly in the income statement. Changes that are not issued with retrospective effect are recognised in the income statement over the remaining service time.

Net pension fund assets for overfunded schemes are classified as non-current assets and recognised in the balance sheet at fair value. Net retirement benefit liabilities for underfunded schemes and non-funded schemes that are covered by operations are classified as long-term liabilities.

The net retirement benefit cost for the period is included under salaries and other payroll costs, and comprises the total of the retirement benefits accrued during the period, the interest on the estimated liability and the projected yield on pension fund assets.

Defined contribution schemes A defined contribution scheme is a retirement benefit scheme where the Group pays fixed contributions to a fund manager without incurring further obligations for Statkraft once the payment has been made. The payments are expensed as salaries and payroll costs.

SEGMENTS

The Group reports operating segments in accordance with how the Group management makes, follows up and evaluates its decisions. The operating segments have been identified on the basis of internal management information that is periodically reviewed by management and used for resource allocation and key performance review.

CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. The statement starts with the Group's result for the year in order to show cash flow generated by operating activities, investing activities and financing activities respectively. Dividends paid to the owner and to minority interests are presented under financing activities.

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ACCOUNTING JUDGEMENTS

In applying the Group's accounting policies, the company's management has exercised judgement in the following areas of material importance with regard to the amounts that have been recognised in the consolidated income statement and balance sheet. These are as follows:

Non-financial energy contracts IAS 39 prescribes that non-financial energy contracts that are covered by the definition of "net financial settlements" shall be treated as if these were financial instruments. This will typically apply to contracts for physical purchases and sales of electricity and gas. There are no clear guidelines stipulating when such contracts shall be deemed to be net financially settled. Using its best judgement, and based on the criteria contained in IAS 39, management has assessed which contracts are covered by the definition of financial instruments, and which contracts fall outside the definition, primarily as a result of the "own use" exception. Contracts that are defined as financial instruments in accordance with IAS 39 are recognised at fair value in the balance sheet with changes in value being recognised through the income statement, while those contracts that are not covered by the definition are mainly recognised on delivery.

Concessionary power contracts Recognition of concessionary power contracts with financial settlement would, in accordance with IAS 39, result in such contracts being recognised at fair value in the balance sheet with changes in fair value being recognised in the income statement. At the end of 2009 concessionary power contracts with financial settlement had a total volume of around 500 GWh and an average price of NOK 95/MWh. Although agreements for financial settlement apply for a limited period, the calculation of fair value is based on the perpetual horizon of the underlying concessionary power contracts. On the basis of these assumptions, the estimated fair value as of 31 December 2009 would have been around NOK -5300 million, while the change in fair value recognised in 2009 would have been around NOK 1400 million.

ESTIMATES AND ASSUMPTIONS

The most important assumptions regarding future events and other significant sources of uncertainty in relation to the estimates at the balance sheet date that can have a significant risk of material changes to the amounts recognised in future accounting periods are discussed below:

Property, plant and equipment Property, plant and equipment is depreciated over its expected useful life, which in turn forms the basis for annual depreciation in the income statement. Expected useful life is estimated based on experience, historical data and accounting judgements, and is adjusted in the event of any changes to such estimates. Residual values are taken into account in calculating depreciation. The evaluation of residual values is also subject to estimates.

Impairments Significant investments are made in property, plant and equipment, intangible assets, associates and joint ventures. These non-current assets are tested for possible impairment where there are any indications of loss of value. Such indications could include changes in market prices, agreement structures, harmful events or other operating conditions. Goodwill is subjected to annual impairment tests. Calculating the recoverable amount requires a series of estimates concerning future cash flows, of which price paths and production volume are the most important.

Deferred tax assets Deferred tax assets associated with negative resource rent revenues carried forward are recognised in the balance sheet. Deferred tax assets are recognised in the balance sheet where it is expected that negative resource rent revenue will be utilised within a period of ten years. The period over which negative resource rent revenues can be carried forward depends on assumptions regarding future revenues, and in particular expectations of future power prices. Management has used its best judgement in making assessments relating to future power prices and other conditions that determine future resource rent revenues.

Pensions The calculation of pension liabilities involves the use of judgement and estimates across a range of parameters. Refer to Note 12 for a more detailed description of the assumptions used. The Note also shows how sensitive the calculations are in relation to the most important assumptions.

Development costs Development costs are recognised in the balance sheet when it is probable that these will result in future economic benefits. Establishing such probability involves estimating the future cash flows from projects, which by their very nature are uncertain. The calculations are based on previous results and experiences, the company's own and third-party analyses and other methods that are considered appropriate.

03 → IMPORTANT EVENTS AND EVENTS SINCE THE BALANCE SHEET DATE

2009

Hydropower In January, Statkraft increased its shareholding in Statkraft Norfund Power Invest AS (SN Power) from 50 to 60 per cent through a combination of a purchase of shares from Norfund and a private placement in SN Power amounting to NOK 2 billion. The transaction increased the Statkraft Group's production capacity by 621 MW, primarily within hydropower.

In June, Statkraft acquired 95 per cent of the shares in Yesil Enerji Üretim Sanayi ve Ticaret A. Ş. (Yesil Enerji) from the Turkish company Global Investment Holdings A.Ş. The acquisition gives Statkraft the rights to six hydropower projects in Turkey with a production potential of about 2 TWh annually.

Three new hydropower plants came online in 2009, Rødberg, Sylsjø and Håvardvatn, with an annual total mean production of 44 GWh.

Småkraft commissioned eight new power plants in 2009, with a total annual mean production of 106 GWh.

Wind Power The Forewind consortium, consisting of the partners Statkraft, Statoil ASA (Statoil), RWE npower plc and Scottish and Southern Energy plc., was awarded the Dogger Bank zone by the

UK authorities in January 2010. The zone is located in the North Sea, between 125 and 195 kilometres off the coast of Yorkshire, and is the largest zone awarded in the third licensing round for development of offshore wind farms in the UK. The development potential is 9 GW. Statkraft owns 25 per cent of the consortium.

In March, Statkraft purchased 50 per cent of the shares in Statoil's project for the construction of the Sheringham Shoal Offshore Wind Farm off the Norfolk coast in the UK. The wind farm, which will be completed in 2011, will comprise 88 turbines and have a total installed capacity of 315 MW. The expected annual production for the project is 1.1 TWh.

The Alltwalis Wind Farm in the UK came online in December. The wind farm in Wales has a total of ten turbines and an installed capacity of 23 MW.

In the fourth quarter, Statkraft SCA Vind AB in northern Sweden was granted licenses for the construction of six wind farms with a total installed capacity of 1140 MW. These licenses have been appealed.

In August, Statkraft and the Swedish forestry company Södra

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signed a letter of intent relating to renewable energy. In October, the companies entered into a cooperation agreement, which includes Statkraft buying 90.1 per cent of Södra's wind power development company in southern Sweden. The portfolio contains projects in various stages of development, with an overall potential of about 634 MW of installed capacity. The first project was granted a license in October, but the license has been appealed.

Power agreements Statkraft and Boliden Odda AS (Boliden) entered into a comprehensive agreement that was finalised in the second quarter and became effective as of 1 July. As part of this agreement, Statkraft and Boliden Odda signed two long-term industrial power agreements for the period 2009–2030. The agreement, for the delivery of around 20 TWh, is the largest industrial power agreement Statkraft has entered into since 1998. Statkraft SF owns the power facilities in Tyssedal, but the waterfall rights and power plants are leased out to AS Tysefaldene on terms set by the authorities. In line with the agreement, Statkraft acquired Boliden's 39.88 per cent shareholding in Tysefaldene, which increased Statkraft's shareholding to 60.17 per cent. The remaining shares are owned by Eramet SA through the company DNN Industrier AS.

In 2007, Statkraft and the Swedish paper producer SCA entered into an agreement which includes a ten-year power delivery of 500 GWh per year to the paper mill Örtviken Pappersbruk. This power delivery started in June 2009.

2008

Asset swap On 31 December, Statkraft AS and E.ON AG completed an agreed asset swap. The swap deal involved E.ON AG acquiring Statkraft's 44.6% shareholding in E.ON Sverige AB together with a hydropower plant in Sweden in exchange for 40 hydropower plants and five district heating plants in Sweden, two gas-fired power plants and eleven hydropower plants in Germany, three hydropower plants in the UK along with a gas storage contract and a power delivery contract. The acquired production assets have an installed capacity of about 2500 MW. In addition, Statkraft received a 4.17% shareholding in E.ON AG. The transaction had a total value of about EUR 4.5 billion. The fair value at the time of acquisition was NOK 45.6 billion and deviates somewhat from the previously stated amount due to currency exchange rates and estimates of pro and contra settlements, and resulted in a net recognised profit after tax for Statkraft of NOK 25.6 billion.

Increased shareholding in SN Power In November, Statkraft AS and Norfund agreed a new ownership structure for SN Power. The agreement was effective from 13 January 2009 and Statkraft increased its shareholding to 60% through the purchase of 10% of Norfund's shareholding. Statkraft was offered a further option to increase its shareholding to 67%, at market price, by no later than 2015. Norfund was granted an option to sell all or some of its shares during the same period. In parallel, a separate company was established to focus on initiatives in Africa and Central America, in which Norfund participates as a direct owner alongside SN Power.

New industrial power agreement In October, Statkraft and Boliden Odda signed two long-term, commercial industrial power contracts for the period 2009 to 2030. The agreement, for the delivery of around 20 TWh, is the largest industrial power agreement that Statkraft has entered into since 1998. As part of the agreement Statkraft will acquire Boliden Odda's shares in AS Tysefaldene and Statkraft's shareholding in the company will increase to 60.17%. The agreement will be effective as soon as tax-related and other issues have been resolved.

Hydropower In October, Leirfossene power plant in Trondheim was opened. The new hydropower plant replaces two old power plants and will result in an increase in annual production from 150 GWh to 193 GWh.

Småkraft AS started the operation of five small-scale hydropower plants in 2008. At year-end, 12 small-scale power plants were in operation with an overall annual production of 129 GWh and 13

power plants were under construction. The company received nine new licenses in 2008 and now has eleven development licenses.

In December, Statkraft and the Austrian energy group EVN AG (Energie-Versorgung Niederösterreich AG) signed a license agreement for hydropower development in Albania. The construction of three power plants with a total installed capacity of 340 MW and an expected annual production of 1 TWh is planned to take place through a joint venture.

In 2008, Statkraft and local partner Aboitiz took over two hydropower plants totalling 175 MW in the Philippines.

On 18 March 2009, Statkraft entered into an agreement to buy 95 per cent of Yesil Enerji from the Turkish company Global Investment Holdings. Yesil Enerji has a portfolio totalling seven hydropower projects. The entire project portfolio has a planned total installed capacity of 633 MW and an annual average production capacity of 2.1 TWh. The transfer of shares is scheduled for June 2010. The agreement is contingent upon approval from the relevant authorities.

Land-based wind power In August, Statkraft and Agder Energi entered into an agreement to establish the company Statkraft Agder Energi Vind DA. The new company means that Statkraft and Agder Energi will join forces in to develop land-based wind power in Norway. The collaboration includes all new projects within the development, construction, operation and maintenance of wind farms in Norway, as well as the trading of the power from the wind farms. The wind farms currently in operation will not be included in the joint venture. The establishment of the company Statkraft Agder Energi Vind DA is contingent upon approval from the competition authorities.

In March, Statkraft decided to build the wind farm Blaengwen in Wales, with an installed capacity of 23 MW. The construction work started in the autumn 2008 and is expected to be completed in 2010. The wind farm was originally a 50/50 joint venture with the US company Catamount Energy Corporation, but Statkraft acquired Catamount's shareholding in March 2009 and now wholly owns the wind farm.

In June, Statkraft, along with its partner GreenPower, was awarded a license to build and operate a wind farm on the west coast of Scotland.

In December, Statkraft SCA Vind AB submitted an application for six wind farms in Sweden with a total installed capacity of about 1100 MW and an expected annual production of about 2.5 TWh. The development company is owned by Statkraft with 60% and the Swedish company SCA with 40%.

In May and October, Statkraft acquired a shareholding totalling 11.8% in Arise Windpower AB which develops land-based wind power projects in southern Sweden and owns a wind farm under construction.

In June, SN Power decided to start building the company's first wind farm. The farm, which will have a total effect of 46 MW, is under construction in Chile and is owned in combination with a local partner (SN Power 80%).

Offshore wind power Statkraft is part of a consortium with StatoilHydro, UK Airtricity and RWE npower Renewables which applied for zones for offshore wind power in the seas around the UK in March 2009. The application was in connection with the third round of license awards from the UK authorities.

Solar power In late March, Statkraft and its partner Norsk Solkraft won a license for a 3 MW photovoltaics solar cell plant in Italy.

Innovation and new technologies A marine energy program in cooperation with leading university institutions in Norway, Sweden and Denmark was continued with a committed amount of NOK 80 million over four years.

In March, Statkraft entered into a cooperation agreement with NorWind relating to offshore wind power under which NorWind will carry out a concept study for a large offshore wind power farm resting on the seabed.

In June, Statkraft and its partners established WindSea AS (49% shareholding), which develops a concept for offshore wind power based on a floating structure.

Along with two local partners, Statkraft has established Thetis Energy Ltd (51% shareholding) for the development of tidal power in Northern Ireland.

Statkraft started the building of the world's first osmotic power plant prototype at Hurum outside Oslo.

Statkraft has initiated a collaboration with several Norwegian industrial companies to achieve energy efficiency gains in the industry. A license application has been submitted for an energy recovery facility in cooperation with Eramet Sauda.

04 →

BUSINESS COMBINATIONS

BUSINESS COMBINATIONS 2009

SN Power Statkraft AS and Norfund reached agreement on a new ownership structure for SN Power on 11 November 2008. Statkraft increased its shareholding from 50% to 60% on the completion date of 13 January 2009. The increased shareholding in SN Power supports Statkraft's ambitions of developing its role as a global niche player within hydropower and other renewable energy. SN Power's market positions in Asia and South America provide a strong starting point for a long-term, global focus. Statkraft purchased 10% of the shares in SN Power for NOK 1100 million. Statkraft also obtained a purchase option for a further 7% of the shares in 2015, or when the investment portfolio in Africa reaches 500 MW.

At the same time, Norfund is guaranteed the opportunity to sell its residual shareholding in SN Power through a put option on its remaining shares in 2010, 2013, 2014 and 2015. The pricing of the shares, and thus Statkraft's financial obligation to Norfund, will be based on guidelines in the agreement and calculated in accordance with approved valuation models at the relevant time. The options will be recognised at fair value in the balance sheet as they are exercised. Norfund can sell up to half of its remaining shareholding in SN Power (20%) to new investors, with the exception of international competitors of Statkraft, before the end of 2010.

Together with Norfund, SN Power established a separate company to invest in Africa and Central America, in which SN Power owns 51% and Norfund 49%.

At the time of the acquisition, SN Power employed more than 400 people within power production and construction projects in India, Nepal, Sri Lanka, the Philippines, Peru and Chile, in addition to a head office in Norway and offices in Singapore and Brazil. In 2008 SN Power had 621 MW of operating capacity and 320 MW under construction through wholly and partly owned plants. The ambition is to increase the installed capacity to 4000 MW by 2015 through acquisitions and expansion in existing and selected new markets.

The purchase price for the shares including transaction costs was NOK 1100 million and was settled by NOK 276.4 million in cash and a private placement where Statkraft paid in NOK 2 billion.

The voting rights in the acquired companies correspond to the shareholding. However, some decisions require the approval of all shareholders.

Prior to the transaction SN Power was accounted for as an associate under the equity method. The company was fully consolidated in Statkraft's Group accounts as of 13 January 2009.

Yesil Enerji Üretim Sanayi ve Ticaret A.S (Yesil Enerji)

On 17 March 2009, Statkraft and the Turkish company Global Investment Holding A.Ş signed an agreement concerning Statkraft's acquisition of hydropower projects in Turkey. On the implementation date on 23 June 2009, Statkraft acquired 95% of the shares in Yesil Enerji from the Turkish company Global Investment Holdings. The acquisition gives Statkraft the rights to six hydropower projects in Turkey with a total annual production potential of about 2 TWh.

The investment amounts to NOK 711 million, including the cost price of the shares of NOK 523 million and assumed receivables of NOK 188 million.

Statkraft Södra Vindkraft AB On 1 October 2009, Statkraft entered an agreement with Södra Skogsägarna ekonomiska förening relating to wind power collaboration. This entailed that Statkraft purchased 90.1% of Statkraft Södra Vindkraft AB, a wind power development company. The activities will be continued in two companies, one for investment, ownership and operation, Statkraft Södra Vindkraft AB, where Statkraft will own 90.1% of the shares, and one for early-phase project development, Södra Statkraft Vindkraft Utveckling AB, where Statkraft will own 40% of the shares. The portfolio contains projects in various stages of development, with an overall potential of about 634 MW of installed capacity and an annual production of 1.6 TWh.

OTHER BUSINESS COMBINATIONS

Ra1 S.r.l og Ra2 S.r.l On 15 May 2009, Statkraft AS completed the acquisition of the remaining 50% of the shares in Ra1 and Ra2 from Norsk Solkraft AS. The purpose of the acquisition is to secure ownership of the Casale and Borgo solar parks in Italy.

Statkraft UK Wind Limited On 4 March 2009, Statkraft UK Ltd acquired the remaining 50% of the shares in Statkraft Wind UK Ltd, formerly Catamount Cymru Cyf, from Catamount Energy Ltd. The purpose of the acquisition is to secure ownership of the Alltwalis wind farm.

Skagerak Energi The following business combinations have taken place in Skagerak Energi: On 24 June 2009, Skagerak Energi AS acquired the remaining 70% of the shares in Naturgass Grenland AS. On 28 February 2009, Skagerak Fibernett acquired the remaining 66% of Larvik Fibernett through a merger of the two mentioned parties and Grenland Fibernett. On 31 March 2009, this new company was merged with Skagerak Fibernett Vestfold. The shareholding following this merger was 66%.

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Allocation of purchase price in connection with business combination 2009

	Statkraft Norfund Power Invest AS	Yesil Enerji Üretim Sanayi ve Ticaret A.Ş. ¹	Statkraft Södra Vindkraft AB ¹	Other acquisitions ¹	Total
Transaction date	13.01.09	23.06.09	01.10.09	-	
Voting right/shareholding acquired through the acquisition	10%	95%	90.1%	-	
Total voting right/shareholding following acquisition	60%	95%	90.1%	-	
Consideration paid (NOK million)					
Cash	1 077	518	140	102	1 837
Transaction costs	23	5	-	1	29
Total acquisition cost	1 100	523	140	103	1 866
Book value of net acquired assets (see table below)	5 790	47	1	70	5 909
Identification of excess value, attributable to:					
Property, plant and equipment	1 476	504	-	-	1 980
Investments in associates and joint ventures	3 641	-	-	-	3 641
Gross excess value	5 117	504	-	-	5 621
Deferred tax on excess value	-543	-	-	-	-543
Net excess value	4 574	504	-	-	5 078
Fair value of net acquired assets, excluding goodwill	10 364	551	1	70	10 987
Fair value of net acquired assets, excluding goodwill, attributable to:					
Majority interest	6 282	523	1	70	6 877
Minority interest	4 082	28	-	-	4 109
	10 364	551	1	70	10 987
Total acquisition cost	1 100	523	140	103	1 866
Fair value of net acquired assets, acquired by the majority owner through the transaction	1 037	523	1	47	1 609
Goodwill ²	63	-	139	56	257
¹ The allocation of purchase price is deemed to be provisional pending the completion of the final valuation of the acquired assets and liabilities.					
² Recognition of goodwill relates to synergies and expected future earnings capacity that have been identified without being able to link the value to other intangible assets, as well as the recognition of deferred tax liabilities at nominal value.					
Book value of net acquired assets					
Intangible assets	139	-	1	4	144
Deferred tax asset	20	-	-	13	33
Property, plant and equipment	4 161	310	-	198	4 670
Investments in associates and joint ventures	2 448	-	-	-	2 448
Other non-current financial assets	24	-	-	1	25
Non-current assets	6 793	310	1	216	7 321
Cash and cash equivalents	1 372	4	-	19	1 394
Receivables	646	17	1	112	776
Inventories	5	-	-	3	8
Current assets	2 023	21	1	134	2 178
Acquired assets	8 816	331	1	350	9 499
Long-term interest-bearing liabilities	2 002	74	-	198	2 274
Short-term interest-bearing liabilities	219	-	-	-	219
Deferred tax	95	-	-	-	95
Other interest-free liabilities	344	210	-	82	636
Minority interests	366	-	-	-	366
Liabilities	3 026	284	-	280	3 590
Net value of acquired assets	5 790	47	1	70	5 909
Total acquisition cost	1 100	523	140	103	1 866
Deferred payment due to seller	-	-34	-	-21	-55
Consideration and costs in cash and cash equivalents	1 100	489	140	82	1 811
Cash and cash equivalents in acquired companies	-1 372	-4	-	-19	-1 394
Net cash payment in connection with the acquisitions	-272	485	140	63	417

The Group's pro forma figures for 2009 would give insignificant effects on sales revenues and net profit. This is due to the fact that SN Power was acquired on 13 January 2009, while the other business combinations are in connection with projects which had not started or which have recently started.

BUSINESS COMBINATIONS 2008

Swap deal with E.ON On 24 July 2008, Statkraft AS and E.ON AG entered into a swap deal. In exchange for shares in E.ON Sverige AB, Statkraft received renewable and flexible power production assets and shares in E.ON AG. The swap deal had a total value of NOK 45 635 million. On the completion date of 31 December 2008, Statkraft's shareholding in E.ON Sverige AB and a Swedish hydropower plant were exchanged for a third of E.ON Sverige's hydropower production capacity (40 hydropower plants), five Swedish district heating plants, two gas-fired power plants and 11 hydropower plants in Germany, three hydropower plants in the UK and shares in E.ON AG. Statkraft also received a structured gas storage contract and a power delivery agreement. Statkraft increased its total production capacity by around 2500 MW, and gained 217 new employees for the Group, primarily in connection with the acquired business in Germany and district heating business in Sweden.

Following the deal, Statkraft became one of the four largest power generators in Sweden. Increased flexible power production in Germany and the UK reinforces Statkraft's position as a significant player in Northern Europe and provides the company with a solid platform for future growth in these core markets.

Prior to the transaction, E.ON AG owned 55.365% of E.ON Sverige AB, while Statkraft AS owned 44.631% and other shareholders owned 0.004%. The transaction triggered a major increase in the value of Statkraft's investment in E.ON Sverige AB, and at the same time converted these values to a 100% shareholding in strategic assets in core markets. In addition, some of the value was transferred to shares in E.ON AG, corresponding to around EUR 2180 million. As a result of the transaction Statkraft acquired the following shareholdings: Statkraft Sverige Vattendel 3 AB (100%), Harrsele AB (50.57%), Statkraft Värme AB (100%), Statkraft Energy Ltd (100%), Emden Biofuel (30%), Landesbergen Biofuel (50%) and E.ON AG (4.17%).

The voting rights in the companies that were acquired correspond to the shareholdings.

The swap deal took place at fair value and cash was not included in the settlement with the exception of the final settlement of NOK 2602 million which was settled in 2009.

The purchase price allocation was made by the Group's own specialists and management, in collaboration with external experts.

The total value of the swap deal was NOK 45 635 million. The calculation of the fair value of assets and liabilities included in the swap deal was allocated as follows:

Assets	Balance sheet value on the acquisition date	Excess fair value	Recognised fair value – final	Recognised fair value – preliminary 31 Dec. 2008
NOK million				
Goodwill	235	151	386	425
Property, plant and equipment	4 859	12 273	17 132	17 132
Investments in associates and joint ventures	196	-	196	181
Other non-current financial assets	21 285	1 840	23 125	23 125
Non-current assets	26 575	14 264	40 839	40 863
Cash and cash equivalents	339	-	339	339
Receivables	3 464	-	3 464	2 883
Inventories	73	-	73	73
Derivatives	1 350	358	1 708	1 708
Current assets	5 226	358	5 584	5 003
Acquired assets	31 802	14 622	46 424	45 866
Other interest-free liabilities	555	-	555	405
Deferred tax	128	106	234	115
Liabilities	683	106	789	520
Net value of acquired assets	31 119	14 516	45 635	45 346

Costs in connection with the swap deal amounted to NOK 100 million, which were mainly expensed.

Goodwill arising on the purchase amounted to NOK 386 million with NOK 151 million derived from the district heating business in Sweden and NOK 235 million from the hydropower and gas power plants in Germany and the UK. Other goodwill was related to synergies and expected future earnings capacity that had been identified without being able to link the value to other intangible assets, as well as the recognition of deferred tax liabilities at nominal value.

If the swap deal with E.ON AG had been completed on 1 January 2008, the consolidated sales revenues would have been NOK 30 812 million, and the net profit NOK 7681 million. Management has adjusted for the following matters to arrive at these pro forma figures:

- added sales revenues and the result for the acquired entities in Sweden, Germany and the UK as well as estimated amortisation on the fair value adjustments
- added its share of the dividend from E.ON AG for 2008
- excluded the share of profit from the investment in E.ON Sverige AB
- excluded the profit from sale of shares under the terms of the swap deal with E.ON AG
- adjusted for costs in connection with the acquisition

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05 → CONSOLIDATED COMPANIES

SHARES IN CONSOLIDATED COMPANIES

Name	Registered office	Country	Parent company	Shareholding and voting rights
Statkraft Energi AS	Oslo	Norway	Statkraft AS	100.00%
Baltic Cable AS	Malmö	Sweden	Statkraft Energi AS	66.67%
Statkraft Carbon Invest AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Financial Energy AB	Stockholm	Sweden	Statkraft AS	100.00%
Statkraft Germany GmbH	Düsseldorf	Germany	Statkraft AS	100.00%
Statkraft Markets GmbH	Düsseldorf	Germany	Statkraft Germany GmbH	100.00%
Statkraft Markets Hungaria LLC	Budapest	Hungary	Statkraft Markets GmbH	100.00%
Statkraft South East Europe EOOD	Sofia	Bulgaria	Statkraft Markets GmbH	100.00%
Statkraft Markets GmbH Slovakian branch	Bratislava	Slovakia	Statkraft Markets GmbH	100.00%
Statkraft Romania SRL	Bucharest	Romania	Statkraft Markets GmbH	100.00%
Statkraft Energy Austria GmbH	Vienna	Austria	Statkraft Markets GmbH	100.00%
Statkraft Markets BV	Amsterdam	The Netherlands	Statkraft Markets GmbH	100.00%
Statkraft Markets Financial Services GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Holding Knapsack GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Knapsack Power GmbH & Co KG	Düsseldorf	Germany	Statkraft Holding Knapsack GmbH	100.00%
Knapsack Power Verwaltungs GmbH	Düsseldorf	Germany	Knapsack Power GmbH & Co KG	100.00%
Statkraft Holding Herdecke GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Trading GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Germany Drei GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Germany Vier GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Germany Fünf GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	Istanbul	Turkey	Statkraft AS	95.00%
Çakıt Enerji A.Ş.	Istanbul	Turkey	Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	99.93%
Anadolu Elektrik Üretim San. Tic. A.Ş.	Istanbul	Turkey	Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	99.00%
Akel Elektrik Üretim San. Tic. A.Ş.	Istanbul	Turkey	Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	98.00%
Gümüşsan Enerji Elektronik Elektrik İnşaat San. Tic. Ltd. Şti	Istanbul	Turkey	Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	99.99%
Çetin Enerji A.Ş.	Istanbul	Turkey	Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	99.90%
Osmanlı Enerji A.Ş.	Istanbul	Turkey	Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	99.96%
Statkraft Suomi Oy	Kotka	Finland	Statkraft AS	100.00%
Ahvionkoski Oy	Kotka	Finland	Statkraft Suomi Oy	100.00%
Statkraft Sverige AB	Stockholm	Sweden	Statkraft AS	100.00%
Gräninge AB	Stockholm	Sweden	Statkraft Sverige AB	100.00%
Gidekraft AB	Stockholm	Sweden	Statkraft Sverige AB	90.10%
Statkraft Sverige Vattendel 3 AB	Stockholm	Sweden	Statkraft Sverige AB	100.00%
Statkraft Sverige Vattendel 2 AB	Stockholm	Sweden	Statkraft Sverige AB	100.00%
Statkraft Södra Vindkraft AB	Stockholm	Sverige	Statkraft AS	90.10%
Statkraft Development AS	Oslo	Norway	Statkraft AS	100.00%
Smøla Vind AS	Oslo	Norway	Statkraft Development AS	100.00%
Hitra Vind AS	Oslo	Norway	Statkraft Development AS	100.00%
Kjøllefjord Vind AS	Oslo	Norway	Statkraft Development AS	100.00%
Statkraft UK Ltd	London	UK	Statkraft AS	100.00%
Statkraft Wind UK Ltd	London	UK	Statkraft UK Ltd	100.00%
Statkraft Energy Limited	London	UK	Statkraft UK Ltd	100.00%
Thetis Energy Limited	Belfast	UK	Statkraft UK Ltd	51.00%
Statkraft Western Balkans d.o.o.	Belgrade	Serbia	Statkraft AS	100.00%
Statkraft d.o.o. Banja Luka	Banja Luka	Republika Srpska	Statkraft AS	100.00%
Wind Power Bulgaria EOOD	Sofia	Bulgaria	Statkraft AS	60.00%
Statkraft Albania Shpk.	Tirana	Albania	Statkraft AS	100.00%
Statkraft Montenegro d.o.o.	Podgorica	Montenegro	Statkraft AS	100.00%
Statkraft Treasury Centre SA	Brussels	Belgium	Statkraft AS	100.00%
Statkraft SCA Vind AB	Stockholm	Sweden	Statkraft AS	60.00%
Renewable Energies and Photovoltaics Spain S.L.	Malaga	Spain	Statkraft AS	70.00%
Ra 1 S.r.l.	Milan	Italy	Statkraft AS	100.00%
Ra 2 S.r.l.	Milan	Italy	Statkraft AS	100.00%
Ra 3 S.r.l.	Milan	Italy	Statkraft AS	100.00%
Statkraft Värme AB	Kungsbacka	Sweden	Statkraft AS	100.00%
Statkraft Industrial Holding AS	Oslo	Norway	Statkraft AS	100.00%
Skagerak Energi AS	Porsgrunn	Norway	Statkraft Industrial Holding AS	66.62%
Skagerak Kraft AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Nett AS	Sandefjord	Norway	Skagerak Energi AS	100.00%
Naturgass Grenland AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Elektro AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Varmer AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Fibernett AS	Porsgrunn	Norway	Skagerak Energi AS	66.00%
Grenland Fibernett AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skien Fjernvarme AS	Skien	Norway	Skagerak Varmer AS	51.00%
Grunnåi Kraftverk AS	Porsgrunn	Norway	Skagerak Energi AS	55.00%
Trondheim Energi AS	Trondheim	Norway	Statkraft Regional Holding AS	100.00%
Trondheim Energi Fjernvarme AS	Trondheim	Norway	Trondheim Energi AS	100.00%

Name	Registered office	Country	Parent company	Shareholding and voting rights
Trondheim Energi Kraft AS	Trondheim	Norway	Trondheim Energi AS	100.00%
Trondheim Energi Kraftsalg AS	Trondheim	Norway	Trondheim Energi AS	100.00%
Trondheim Energi Nett AS	Trondheim	Norway	Trondheim Energi AS	100.00%
Trondheim Energi Eiendom AS	Trondheim	Norway	Trondheim Energi AS	100.00%
Sluppen Eiendom AS	Trondheim	Norway	Trondheim Energi Eiendom AS	100.00%
Statkraft Forsikring AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Norfund Power Invest AS	Oslo	Norway	Statkraft AS	60.00%
SN Power Holding AS	Oslo	Norway	Statkraft Norfund Power Invest AS	100.00%
SN Power Holding Singapore Pte. Ltd	Singapore	Singapore	SN Power Holding AS	100.00%
SN Power Global Services Pte. Ltd	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd	100.00%
SN Power Holding Peru Pte. Ltd	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd	100.00%
SN Power Holding Chile Pte. Ltd	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd	100.00%
SN Power Holding Brazil Pte. Ltd	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd	100.00%
SN Power Energica do Brasil	Rio de Janeiro	Brazil	SN Power Holding Singapore Pte. Ltd	100.00%
SN Power Peru Holding S.R.L	Lima	Peru	SN Power Holding Singapore Pte. Ltd	100.00%
Empresa de Generacion Electrica Cahua S.A	Lima	Peru	SN Power Peru Holding S.R.L	99.99%
Empresa de Generacion Electrica Cheves S.A	Lima	Peru	SN Power Peru Holding S.R.L	100.00%
Inversiones Electricas de Los Andes S.A.C	Lima	Peru	SN Power Peru Holding S.R.L	100.00%
Electroandes S.A	Lima	Peru	Inversiones Electricas de Los Andes S.A.C	100.00%
SN Power Chile Inversiones Eléctricas Ltda	Santiago	Chile	SN Power Holding Chile Pte. Ltd	100.00%
SN Power Chile Tinguiririca y Cia.	Santiago	Chile	SN Power Chile Inversiones Eléctricas Ltda	99.99%
SN Power Chile Valdivia y Cia.	Santiago	Chile	SN Power Chile Inversiones Eléctricas Ltda	99.99%
Hidroelectrica Trayenko S.A	Santiago	Chile	SN Power Chile Valdivia y Cia.	80.00%
Norvind S.A	Santiago	Chile	SN Power Chile Valdivia y Cia.	80.00%
Himal Power Ltd	Kathmandu	Nepal	SN Power Holding Singapore Pte. Ltd	50.70%
SN Power Africa AS	Oslo	Norway	Statkraft Norfund Power Invest AS	51.00%
SN Power ACA Pte. Ltd	Singapore	Singapore	SN Power Africa AS	100.00%
Statkraft France SAS	Lyon	France	Statkraft AS	100.00%
Statkraft I AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft II AS	Oslo	Norway	Statkraft Industrial Holding AS	100.00%
Statkraft III AS	Oslo	Norway	Trondheim Energi AS	100.00%
Metor AS ¹	Porsgrunn	Norway	Skagerak Energi AS	60.00%
Fjordkraft AS ²	Bergen	Norway		
Småkraft AS ³	Bergen	Norway		

¹ Metor AS is owned by Skagerak Energi AS (60%) and Trondheim Energi AS (40%).

² Fjordkraft AS is owned by Statkraft Industrial Holding AS (3.15%), Skagerak Energi AS (48%) and Bergenshalvøens Kommunale Kraftselskap AS (48.85%). Fjordkraft AS has been consolidated since 1 January 2007

³ Småkraft AS is jointly owned by Statkraft AS, Skagerak Kraft AS, Trondheim Energi Kraft AS, Agder Energi AS and Bergenshalvøens Kommunale Kraftselskap AS, which each have a 20% shareholding.

06 → SEGMENT INFORMATION

The division into segments is intended to meet the changes resulting from increased growth and internationalisation. The aim is to achieve a more flexible and dynamic organisation where new priorities and growth areas can be highlighted and achieve visibility as separate business units with clear performance targets. At the same time, the organisation model creates a foundation for an effective management and control structure.

Generation and Markets The Generation and Markets segment is the largest segment, responsible for the operation and maintenance of hydropower plants and gas power plants in Europe, as well as physical and financial trading in energy and energy-related products in Europe. These business units are organised into one segment due to the close integration between operations, maintenance and energy optimisation.

Wind Power Wind Power is responsible for developing, constructing, operating and following up the ownership of onshore and offshore wind farms in Norway and the rest of Europe, as well as developing and commercialising offshore wind power technology.

Emerging Markets Emerging Markets is responsible for managing and further developing ownership positions outside Europe, and mainly comprises the investment in SN Power. In addition, Theun Hinboun Power Company (THPC) is managed on behalf of Statkraft SF. THPC is not included in the segment's financial figures.

Skagerak Energi Activities in Skagerak Energi are followed up as a joint activity by management and reported as a separate segment. This segment focuses on the generation and sale of power and district heating, and distribution grid activities. Other activities involve fibre, natural gas distribution and electrical contractor and settlement activities.

Customers Customers comprises the distribution grid, district heating and power sales activities performed by Trondheim Energi.

Industrial ownership Industrial Ownership is responsible for managing and further developing Norwegian shareholdings where Statkraft has industrial ambitions. The segment comprises Fjordkraft, Bergenshalvøens Kommunale Kraftselskap (BKK) and Agder Energi.

Other Other includes the business units Southeast Europe Hydro, Solar Power, Small-Scale Hydro, Innovation and Growth, along with the shareholding in E.ON AG, group functions and eliminations.

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ACCOUNTING SPECIFICATION PER SEGMENT

The Statkraft Group had the following accounting figures in the most important segments.

Segments NOK million	Statkraft AS Group	Generation and markets	Wind power	Emerging markets	Skagerak Energi	Customers	Industrial ownership	Other
2009								
Operating revenues external	25 675	17 539	64	746	1 928	1 823	3 418	157
Operating revenues internal	-	1 000	197	1	798	-32	-	-1 965
Gross operating revenues	25 675	18 539	261	747	2 726	1 791	3 418	-1 808
Operating profit/loss	7 027	6 242	-64	181	1 191	80	97	-700
Share of profit from associates and joint ventures	1 179	-136	-15	91	-21	6	1 284	-30
Profit before financial items and tax	8 206	6 107	-78	272	1 170	86	1 380	-731
Balance sheet 31.12.2009								
Investments in associates and joint ventures	16 509	393	566	5 192	82	292	9 938	46
Other assets	127 496	70 218	2 177	2 792	15 136	3 913	2 767	30 493
Total assets	144 005	70 611	2 743	7 984	15 218	4 205	12 705	30 539
Depreciation, amortisation and impairments	-2 743	-1 758	-93	-101	-486	-223	-33	-49
Maintenance investments	1 308	594	26	150	289	143	-	106
Investments in new generating capacity	2 447	548	348	599	401	67	8	476
Investments in shares	1 152	-	826	-271	1	-	5	591
2008								
Operating revenues external	25 061	17 447	13	-	2 197	1 684	3 508	212
Operating revenues internal	-	804	235	-	1 037	47	2	-2 125
Gross operating revenues	25 061	18 251	248	-	3 234	1 731	3 510	-1 913
Operating profit/loss	16 618	15 570	276	-1	1 630	171	-78	-950
Share of profit from associates and joint ventures	935	-302	-38	87	-247	9	530	896
Profit before financial items and tax	17 553	15 268	238	86	1 383	180	452	-54
Balance 31.12.08								
Investments in associates and joint ventures	14 387	1 224	91	2 737	88	249	9 884	114
Other assets	129 912	74 936	1 512	200	14 955	4 612	1 604	32 093
Total assets	144 299	76 160	1 603	2 937	15 043	4 861	11 488	32 207
Depreciation, amortisation and impairments	-1 553	-1 069	233	-	-480	-155	-33	-49
Maintenance investments	796	490	-	-	202	84	-	20
Investments in new generating capacity	1 196	567	39	-	214	82	-	294
Investments in shares	581	26	178	200	26	3	-	148

SPECIFICATION PER PRODUCT

Reference is made to Note 7.

SPECIFICATION PER GEOGRAPHICAL AREA

External sales revenues are allocated on the basis of the geographical origin of generating assets or activities.

Non-current assets exclude financial instruments, deferred tax and pension assets and are allocated on the basis of country of origin of generating assets or activities.

Geographical areas NOK million	Statkraft AS Group	Norway	Germany	Sweden	Finland	Other
2009						
Sales revenues external	24 715	17 611	2 997	1 835	89	2 183
Non-current assets as of 31.12.	79 352	49 562	5 124	16 660	774	7 232
2008						
Sales revenues external	24 205	19 424	2 900	551	165	1 165
Non-current assets as of 31.12.	75 515	48 804	6 387	18 769	911	644

The increase in Sweden is due to the acquired power plants following the asset swap with E.ON AG, while the increase in the Other segment is mainly due to the business combination with SN Power.

INFORMATION ON IMPORTANT CUSTOMERS

No external customers account for 10% or more of the Group's operating revenues.

07 → SALES REVENUES

Statkraft optimises its hydropower generation based on an assessment of the value of available water in relation to actual and expected future spot prices. This is done irrespective of contracts entered into. In the event that Statkraft has physical contractual obligations to supply power that deviate from actual output, the difference is either bought or sold on the spot market. Necessary spot purchases are recorded as a correction to power sales. Physical and financial contracts are used to hedge underlying production in the form of purchase and sales positions. Sales positions are taken to hedge the price of a specific part of the planned future output. Purchasing positions are taken to adjust the hedging level if asTotalptions change and Statkraft considers its hedged position to be too high. All contracts are recognised as adjustments to the underlying revenue from production based on the margin between the contract price and the spot price (system price for financial contracts).

NOK million	2009	2008
Net physical spot sales, including green certificates	10 464	12 668
Concessionary sales at statutory prices	384	234
Industrial sales at statutory prices	1 671	1 624
Long-term commercial contracts	2 820	1 758
Dynamic hedging	1 654	1 221
Trading and origination	1 618	447
Distribution grid	1 485	1 426
End-users	4 285	4 305
District heating	505	370
Other/eliminations	-171	152
Sales revenues	24 715	24 205

Statkraft has long-term physical sales contracts with power-intensive industrial customers and the wood processing industry at prices set by the Norwegian Storting (parliament), as well as obligations to supply power to local authorities at concessionary prices. These contracts are entered into at prices below the market level.

Annual delivery volume for industrial and concessionary sales at statutory prices

TWh	Industrial power	Concessionary power	Total
2010	9.3	2.9	12.2
2011	1.5	2.9	4.4
2012	0.5	2.9	3.4
2013	0.5	2.9	3.4
2014	0.5	2.9	3.4
2015	0.5	2.9	3.4
2016	0.5	2.9	3.4
2017	0.5	2.9	3.4
2018	0.5	2.9	3.4
2019	0.5	2.9	3.4
Total	14.8	29.0	43.8

Price and volume for industrial and concessionary sales at statutory prices	2009	2008
Industrial power – Volume (TWh)	8.8	8.7
Industrial power – Price (NOK/MWh)	195	191
Concessionary power – Volume (TWh)	2.7	2.5
Concessionary power – Price (NOK/MWh)	95	94

Statutory-priced industrial contracts mostly run until 2011. As the statutory-priced contracts expire, these will mainly be replaced by commercial agreements.

In addition, Statkraft has other physical contractual obligations of varying duration to both Norwegian and international customers.

08 → OTHER OPERATING REVENUES

NOK million	2009	2008
Power plant leasing revenues	289	121
Other leasing and service revenues	477	493
Other	194	242
Total	960	856

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09 → ENERGY PURCHASES

NOK million	2009	2008
Gas purchases	2 225	2 053
End-user activities	2 600	2 363
Total	4 825	4 416

10 → UNREALISED CHANGES IN THE VALUE OF ENERGY CONTRACTS

Unrealised changes in the value of energy derivatives are classified by portfolio in the table below. The individual portfolios are described in Note 32.

NOK million	2009	2008
Nordic hydropower portfolio excluding industrial power	-240	382
Industrial power contracts in Nordic hydropower portfolio	-617	2 335
Trading and Origination	-128	312
Continental assets	-1 917	1 324
End-user portfolio	89	-71
Total	-2 813	4 282

The Group's contracts are, for example, indexed against various commodities, currencies and indices. The falling value of the US dollar and higher prices for petroleum-related products compared with gas prices contributed to unrealised losses.

11 → SALARIES AND PAYROLL COSTS AND NUMBER OF FULL-TIME EQUIVALENTS

NOK million	2009	2008
Salaries	1 699	1 331
Employer's national insurance contributions	264	200
Pension costs	342	236
Other benefits	212	86
Total	2 517	1 853

The Group employed an average of 3329 full-time equivalents in 2009. The corresponding figure for 2008 was 2460.

The increase in the number of employees is a result of the acquisition of SN Power as well as the fact that the Group is in a growth phase with many exploration, engineering and development projects. This, together with an increase in the number of employees following the swap deal with E.ON AG on 31 December 2008, explains the general increase in costs.

Pension costs are described in further detail in Note 12.

12 → PENSIONS

DEFINED BENEFIT SCHEMES

Occupational pension schemes in the Group Employees in the Group's Norwegian companies participate in public service occupational pension schemes in accordance with the Norwegian Public Service Pension Fund Act, the Norwegian Public Pension Service Pension Fund Transfer Agreement and the regulatory framework governing public service pensions. 2641 employees and 1260 pensioners were covered by benefit schemes as of 31 December 2009. Skagerak Energi holds its pension plans in a separate pension fund. Fjordkraft AS employees are members of BKK's pension fund. With the exception of Småkraft AS, the rest of the Norwegian companies in the Group operate their pension plans through the Norwegian Public Service Pension Fund (SPK). SN Power has pension schemes in the SPK and in Nordea Liv.

Pension payments from the SPK are guaranteed by the Norwegian state (Section 1 of the Norwegian Pension Act). The occupational pension schemes cover retirement, disability, surviving spouse and child's pension. The retirement schemes provide pension benefits amounting to 66% of pensionable income, up to 12G (12 times the National Insurance Scheme's basic amount).

Pension scheme benefits are coordinated with the benefits provided by the Norwegian National Insurance Scheme. The majority of the companies also offer early retirement from the age of 62 under the Norwegian early retirement pension scheme.

Companies with schemes in the SPK pay an annual premium and are responsible for the financing of the scheme. The SPK scheme is not asset-based, but management of the pension fund assets (fictitious assets) is simulated as though the assets were invested in government bonds. In this simulation it is assumed that the bonds are held to maturity. The pension assets are guaranteed by the Norwegian state. Up to 35% of the pension fund assets can be invested in the Norwegian Government Pension Fund, which is a real fund where yields are linked to the market situation.

Employees who leave the company before pensionable age receive a deferred pension entitlement. In schemes that are part of SPK, participating companies are not responsible for these obligations. Deferred entitlements in Skagerak Energi's Pension Fund and for Fjordkraft AS in BKK's pension fund are carried forward as a pension fund liability.

There are separate fund-based benefit schemes for the employees in Germany and the UK who were transferred in connection with the swap deal with E.ON AG. The schemes include retirement, disability, spouse and children's pensions.

Unsecured pension obligations In addition to the above, some Group companies in Norway have entered into pension agreements that provide all employees whose pensionable incomes exceed 12G with a retirement and disability pension equivalent to 66% of that portion of their pensionable income exceeding 12G. Some members of the Group management have spouse and children's pension agreements. In addition, Statkraft has a survivor's pension scheme, which is a continuation of the Statkraft Pension Fund. This scheme ceased to exist in 2003. The pensions are funded out of the company's operations.

Employees who leave the company before pensionable age receive a deferred pension entitlement for the scheme above 12G.

Actuarial calculations The present value of defined benefit pension liabilities and the current year's accrued pension entitlements are calculated using the accrued benefits method. The net present value of pension benefits accrued at the balance sheet date adjusted for expected future salary increases until pensionable age is based on best estimate assumptions as of 31 December 2009. Calculations are based on staff numbers and salary data at the end of the year.

Actuarial gains and losses in 2009 are mainly due to updated assumptions, membership, actual wage increases and return on assets.

Explanation of the background for selected assumptions/risk table The discount rate is set at 4.4% for Norwegian pension schemes and is calculated as a weighted average of the risk-free interest rate until the time when payments are expected to be made. Salary adjustments for Norwegian schemes are mainly calculated as the total of the expected nominal salary increase of 1.75%, inflation of 2.25% and career progression increase of 0.25%, with some minor adaptations. For the majority of the Norwegian schemes, adjustment of current pensions follows the Norwegian National Insurance Scheme's basic amount (G). For demographic factors the K2005, GAP07 and IR73 tariffs are used to establish mortality and disability risks. The stipulation of parameters which apply to foreign defined-benefit schemes is adapted to local conditions.

DEFINED CONTRIBUTION SCHEMES

Group companies in Sweden, Finland, the Netherlands and Belgium operate defined contribution schemes in accordance with local legislation. Other employees in the UK, who are not covered by the defined benefit scheme mentioned above, also have defined contribution schemes.

The following assumptions are used

	31.12.09	01.01.09	31.12.08	01.01.08
Annual discount rate ¹	4.40–6.00%	3.70%	3.70%	4.60%
Salary adjustment	4.25–4.50%	4.00%	4.00%	4.00–4.50%
Adjustment of current pensions	2.10–4.00%	3.75%	3.75%	4.00%
Adjustment of the National Insurance Scheme's basic amount (G)	4.00%	3.75%	3.75%	4.00%
Forecast voluntary exit				
• Up to age 45	3.50%	2.50%	2.50%	2.50%
• Between ages 45 and 60	0.50%	0.50%	0.50%	0.50%
• Over age 60	0.00%	0.00%	0.00%	0.00%
Projected yield	4.40–6.00%	3.70%	3.70%	4.60–6.00%
Rate of inflation ¹	2.25–3.40%	2.00%	2.00%	2.25%
Tendency to take early retirement (AFP)	10.00–30.00%	20.00%	20.00%	20.00%

¹ Interval discount rate and inflation for foreign entities.

Assumptions as of 31 December are used to calculate net pension liabilities at the end of the year, while assumptions as of 1 January are applied to calculate pension costs for the year.

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Breakdown of net defined benefit pension liability

NOK million	2009	2008
Present value of accrued pension entitlements for funded defined benefit schemes	4 540	4 267
Fair value of pension assets	3 062	2 525
Actual net pension liability for funded defined benefit schemes	1 478	1 742
Present value of accrued pension entitlements for unfunded defined benefit schemes	348	267
Employer's national insurance contributions	268	266
Net pension liabilities in the balance sheet (see Note 26)	2 094	2 275

Movement in defined benefit pension liability during the year

NOK million	2009	2008
Defined benefit pension liabilities 01.01.	4 534	3 743
Increase in liabilities for new subsidiary/new members	10	148
Reduction in liabilities as a result of transfer of employees	-	-12
Present value of accrued pension entitlements for the year	261	180
Interest expenses	165	169
Actuarial losses on liabilities	74	399
Paid benefits	-122	-93
Currency effects	-35	-
Gross defined benefit pension liabilities 31.12.	4 888	4 534

Movement in the fair value of pension assets for defined benefit pension schemes

NOK million	2009	2008
Fair value of pension assets 01.01.	2 525	2 463
Projected yield on pension assets	111	129
Actuarial gains (+) / losses (-) on pension assets	178	-234
Total contributions	341	187
Increase in pension assets through new subsidiary	25	-
Reduction in assets as a result of transfer of employees	-	-4
Paid benefits	-106	-90
Change in the classification of pension assets	-	74
Currency effects	-12	-
Fair value of pension assets 31.12.	3 062	2 525

Pension assets comprise

	31.12.09		31.12.08	
Equity instruments	483	16%	248	10%
Interest-bearing instruments	2 281	74%	2 075	82%
Other	298	10%	202	8%
Fair value of pension assets	3 062	100%	2 525	100%

For pension schemes in the SPK, the pension assets comprise a fictitious fund that is invested in 1, 3, 5 or 10-year Norwegian government bonds or a combination of these. Some of the companies have in addition reinvested some of the pension assets in the Norwegian Government Pension Fund – Global.

Skagerak Energi has its own pension fund which has invested its pension assets in a diversified portfolio of Norwegian and foreign interest-bearing securities, beneficiary mortgages, shares (max. 25%), hedge funds (max. 7%) and property (max. 8%) through external managers. Fjordkraft AS, which is a member of BKK's Pension Fund, has invested the pension funds in Norwegian interest-bearing securities and Norwegian and foreign shares (max. 40%).

Movement in actuarial gains and losses recognised directly in equity

NOK million	2009	2008
Cumulative amount recognised directly in equity before tax 01.01.	1 959	1 241
Cumulative amount recognised directly in equity before tax new subsidiary/new members	-1	-4
Recognised in the period	-118	722
Cumulative amount recognised directly in equity before tax 31.12.	1 840	1 959
Deferred tax relating to actuarial gains (-) / losses (+) recognised directly in equity	516	548
Cumulative amount recognised directly in equity after tax 31.12.	1 324	1 411

Pension cost recognised in the income statement

NOK million	2009	2008
Defined benefit schemes		
Present value of accrued pension entitlements for the year	261	180
Interest expense	165	169
Projected yield on pension assets	-111	-129
Employee contributions	-24	-17
Employer's national insurance contributions	40	29
Pension cost defined benefit schemes	331	232

Defined contribution schemes

	2009	2008
Employer payments	11	4
Total pension cost (see Note 11)	342	236

	Discount rate		Annual salary increase	
Sensitivity analysis regarding changes in asTotalptions	+1%	-1%	+1%	-1%
Increase (+)/decrease (-) in net pension cost for the period	-54	64	63	-64
Increase (+)/decrease (-) in net pension liability 31.12.	-839	952	446	-521

	Increase in G		Staff turnover rate	
Sensitivity analysis regarding changes in asTotalptions	+1%	-1%	+1%	-1%
Increase (+)/decrease (-) in net pension cost for the period	17	-28	-19	7
Increase (+)/decrease (-) in net pension liability 31.12.	276	-373	-141	44

13 → PROPERTY TAX AND LICENCE FEES

NOK million	2009	2008
Property tax	888	785
Licence fees	278	292
Total	1 166	1 077

Licence fees are adjusted in line with the Consumer Price Index, with the first adjustment taking place on 1 January five years after the licence was granted and every fifth year thereafter.

The present value of the Group's future licence fee obligations that are not provided for in the annual financial statements is estimated at NOK 7000 million, discounted at an interest rate of 4% in accordance with the regulations relating to the adjustment of licence fees, annual compensation and funds, etc. In 2008, this amounted to NOK 7300 million.

14 → OTHER OPERATING EXPENSES

NOK million	2009	2008
Purchase of third-party services	1 329	914
Materials	336	377
Costs of power plants operated by third parties	332	202
Compensation payments	50	53
Other	1 483	954
Total	3 530	2 500

The increase in other operating expenses from 2008 to 2009 is due to a general increase in activity as well as business combinations.

The largest items included in Other for 2009 are office rent NOK 260 million, IT costs NOK 150 million, marketing NOK 147 million, travel expenses NOK 159 million and insurance NOK 93 million.

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15 → FINANCIAL ITEMS

2009

2009	Assessment basis							Total
	Voluntarily designated at fair value through profit or loss	Compulsorily designated at fair value through profit or loss	Amortised cost	Available for sale	Held for sale	Fees		
NOK million								
Financial income								
Profit on the sale of shares ¹	-	-	-	-	149	-	-	149
Interest income liquidity	281	-	-	-	-	-	-	281
Interest income other	-	-	43	-	-	-	-	43
Financial derivatives, realised currency gains/losses	-	-63	-	-	-	-	-	-63
Bank accounts and loans, realised currency gains/losses	-	-	482	-	-	-	-	482
Securities liquidity, gains/losses, realised	27	-	-	-	-	-	-	27
Dividend	-	-	-	1 094	-	-	-	1 094
Other financial income	-	32	15	-	-	-	-	47
Total		308	-31	540	1 094	149	-	2 060
Financial expenses								
Interest expenses	-	-	-1 794	-	-	-	-	-1 794
Guarantee premiums	-	-	-	-	-	-38	-	-38
Bank accounts and loans, realised currency gains/losses	-	-	-1 518	-	-	-	-	-1 518
Securities liabilities, gains/losses, realised	-8	-	-	-	-	-	-	-8
Other financial expenses	-	-204	-194	-	-	-	-	-398
Total	-8	-204	-3 506	-	-	-38	-	-3 756
Unrealised changes in value								
Financial interest rate swaps, unrealised change in value	-	-109	-	-	-	-	-	-109
Financial currency and interest rate swaps, unrealised change in value	-	878	-	-	-	-	-	878
Forward exchange contracts, unrealised change in value	-	1 373	-	-	-	-	-	1 373
Foreign currency loans, unrealised change in value	-	222	6 012	-	-	-	-	6 234
Securities liquidity, gains/losses, unrealised	-	1 041	-	-3 440	-	-	-	-2 399
Total	-	3 405	6 012	-3 440	-	-	-	5 977
Total financial items	300	3 170	3 046	-2 346	149	-38	-	4 281

¹ The amount of 149 relates to settlement of the balance on the swap deal with E.ON AG.

2008

2008	Assessment basis						
	Voluntarily designated at fair value through profit or loss	Compulsorily designated at fair value through profit or loss	Amortised cost	Available for sale	Held for sale	Fees	Total
NOK million							
Financial income							
Profit on the sale of shares	-	-	-	-	25 591	-	25 591
Interest income liquidity	344	-	-	-	-	-	344
Interest income other	-	-	116	-	-	-	116
Bank accounts and loans, realised currency gains/losses	-	-	70	-	-	-	70
Dividend	-	-	-	19	-	-	19
Other financial income	-	-	11	284	-	-	295
Total	344	-	197	303	25 591	-	26 435
Financial expenses							
Interest expenses	-	-	-2 186	-	-	-	-2 186
Guarantee premiums	-	-	-	-	-	-65	-65
Financial derivatives, realised currency gains/losses	-	-776	-	-	-	-	-776
Bank accounts and loans, realised currency gains/losses	-	-	-36	-	-	-	-36
Securities liabilities, gains/losses, realised	29	-	-	-	-	-	29
Other financial expenses	-	-	-32	-	-	-	-32
Total	29	-776	-2 254	-	-	-65	-3 066
Unrealised changes in value							
Financial interest rate swaps, unrealised change in value	-	298	-	-	-	-	298
Financial currency and interest rate swaps, unrealised change in value	-	-229	-	-	-	-	-229
Forward exchange contracts, unrealised change in value	-	-1 241	-	-	-	-	-1 241
Foreign currency loans, unrealised change in value	-	-393	-1 548	-	-	-	-1 941
Securities liquidity, gains/losses, unrealised	11	-	-	-	-	-	11
Total	11	-1 565	-1 548	-	-	-	-3 102
Total financial items	384	-2 341	-3 605	303	25 591	-65	20 267

16 → TAX

The tax expense comprises the following

NOK million	2009	2008
Income tax	2 780	3 242
Resource rent tax	1 367	1708
Correction relating to tax assessment for previous years	8	31
Change in deferred tax	474	-423
Withholding tax	142	-
Tax cost in the income statement	4 771	4 558

Income tax payable

NOK million	2009	2008
Income taxes payable on the Group's profit for the year	2 534	3 116
Effect of Group contributions on tax liability	-1 522	-982
Reduction in prepaid natural resource tax relating to previous years	-	-1114
Income tax payable before offsetting against natural resource tax for the year	1 012	1020

Tax payable in the balance sheet

NOK million	2009	2008
Natural resource tax	493	570
Resource rent tax	1 367	1708
Income tax exceeding natural resource tax	519	450
Tax due from previous financial years	-7	7
Tax payable in the balance sheet	2 372	2 735

Prepaid tax in the balance sheet

NOK million	2009	2008
Prepaid correction tax	85	85

Reconciliation of nominal tax rate and effective tax rate

NOK million	2009	2008
Profit before tax	12 487	37 820
Expected tax expense at a nominal rate of 28%	3 496	10 590

Effect on taxes of:

Resource rent tax	1 428	1876
Differences in tax rates from Norway	-590	268
Share of profit from associates	-321	-262
Tax-free income	-270	-7930
Changes relating to previous years	28	31
Reduction in value E.ON AG shares	963	-
Other permanent differences, net	37	-15
Total tax expense	4 771	4 558
Effective tax rate	38.2%	12.1%

BREAKDOWN OF DEFERRED TAX

The following table provides a breakdown of the net deferred tax liability. Deferred tax assets and liabilities connected with various tax subjects/regimes are presented separately in the balance sheet. Deferred tax assets are recognised in the balance sheet to the extent that it is probable that these will be utilised.

NOK million	01.01.08	Recognised in the period	Recognised in equity	Acquisitions and sales of companies	Other	31.12.08
Current assets/current liabilities	400	99	-138	-	139	500
Property, plant and equipment	3 841	268	-102	32	-	4 039
Pension liabilities	-414	-40	-162	-	-	-616
Other long-term items	623	-253	-	-	-	370
Tax loss carryforward/compensation	-26	-653	-	-	-	-679
Deferred tax, resource rent tax	1 937	-21	-	-	-	1 916
Negative resource rent tax carryforward	-1 080	177	-	-	-	-903
Total net deferred tax liability	5 281	-423	-402	32	139	4 627
Of which presented as deferred tax asset, see Note 17	1 025					1 518
Of which presented as deferred liability, see Note 26	6 306					6 145

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NOK million	01.01.09	Recognised in the period	Recognised in equity	Acquisitions and sales of companies	Other	31.12.09
Current assets/current liabilities	500	-108	-31	-8	1 589	1 942
Property, plant and equipment	4 039	123	-290	715	-	4 587
Pension liabilities	-616	-2	33	-4	-	-589
Other long-term items	370	21	12	-1	-	402
Tax loss carryforward/compensation	-679	353	-	86	-	-240
Deferred tax, resource rent tax	1 916	326	-	-	-	2 242
Negative resource rent tax carryforward	-903	-240	-	-	-	-1 143
Total deferred tax liability	4 627	473	-276	788	1 589	7 202
Of which recognised as deferred tax asset, see Note 17	1 518					1 163
Of which presented as deferred tax liability, see Note 26	6 145					8 365

The item Other primarily relates to the effects of Group contributions.

Deferred tax recognised directly in equity

NOK million	2009	2008
Estimate deviation pension	33	-162
Hedging instruments	-	-261
Translation differences	-309	21
Total deferred tax recognised in equity	-276	-402

Tax rates used in the calculation of deferred tax:

26%	- Company tax rate in Finland
26.3%	- Company tax rate in Sweden (2008: 28%)
28%	- Company tax rate in Norway
28%	- Company tax rate in the UK
31.4%	- Company tax rate in Germany
30%	- Resource rent tax rate in Norway
58%	- Marginal tax rate in Norway (resource rent tax rate + company tax rate)

17 → INTANGIBLE ASSETS

NOK million	2009	2008
Deferred tax asset	1 163	1 518
Goodwill	648	632
Other	466	331
Total	2 277	2 481

Deferred tax is discussed in more detail in Note 16.

NOK million	Goodwill	Other
2008		
Cost as of 01.01.	365	617
Accumulated amortisation and impairments as of 01.01.	-158	-260
Book value 01.01.	207	357
Additions	-	7
Additions from business combinations	425	-
Currency effects	-	10
Amortisation and impairments	-	-43
Book value 31.12.	632	331
 Cost 31.12.	757	683
Accumulated amortisation and impairment 31.12.	-125	-352
Book value 31.12.	632	331
 2009		
Book value 01.01.	632	331
Additions	-	80
Additions from business combinations (see Note 4)	257	144
Changes to business combinations in previous years (see Note 4)	-39	-
Currency effects	-46	-36
Amortisation and impairments	-156	-53
Book value 01.01.	648	466
 Cost 31.12.	929	872
Accumulated amortisation and impairments 31.12.	-281	-406
Book value 31.12.	648	466
Expected economic lifetime	10–15 years	

IMPAIRMENT GOODWILL

An impairment test carried out at the year-end resulted in an impairment of goodwill of NOK 156 million. The reason for the impairment is improved knowledge about recently acquired facilities and therefore a better basis for estimating future cash flows, as well as the still unsettled market conditions.

RESEARCH AND DEVELOPMENT

The Group's research and development activities comprise activities relating to new energy sources and the further development of existing plants and technologies. Research activities relating to new energy sources include general research projects. These projects are intended to provide further knowledge on technologies or other areas that could provide a basis for future activities/projects.

In order to gain new knowledge and develop new methods within the fields of energy optimisation and preservation, the Group also performs research and development activities in connection with existing plants/energy sources. Research and development activities carried out in 2009 and 2008 are expensed with NOK 173 million and NOK 157 million, respectively.

18 → PROPERTY, PLANT AND EQUIPMENT

NOK million	Water regulation facilities	Turbines, genera- tors, etc.	Distri- bution grid facilities	Shares in power plants operated by other	Land, underground facilities, buildings, roads, bridges and quay facilities	Facilities under construction	Other ¹	Total
2008								
Book value 01.01.	22 009	12 503	5 137	2 208	10 289	1 664	2 418	56 228
Additions	157	217	186	29	78	961	357	1 985
Additions from business combinations	4 781	5 239	-	-	6 444	63	605	17 132
Transferred from facilities under construction	260	516	87	-	264	-1 127	-	-
Disposals	-3	-25	-1	-	-352	-38	-36	-455
Capitalised loan expenses	-	1	-	-	-	8	3	12
Currency effects	44	530	49	-	423	35	5	1 086
Depreciation/impairments	-294	-377	-334	-76	-108	-39	-282	-1 510
Accumulated depreciation/impairments on disposals	-	10	-	-	-	38	27	75
Book value 31.12.	26 954	18 614	5 124	2 161	17 038	1 565	3 097	74 553
Cost 31.12.2008	32 405	28 222	10 192	3 142	19 278	1 565	4 999	99 803
Accumulated depreciation and impairments 31.12.	-5 451	-9 608	-5 068	-981	-2 240	-	-1 902	-25 250
Balanseført verdi per 31.12.	26 954	18 614	5 124	2 161	17 038	1 565	3 097	74 553
2009								
Book value 01.01.	26 954	18 614	5 124	2 161	17 038	1 565	3 097	74 553
Additions	68	512	326	113	266	1 982	408	3 675
Additions from business combinations	287	691	180	-	5 090	301	101	6 650
Changes in business combinations from previous years	-5 262	-4	-	-	7 799	18	-2 551	-
Transferred from facilities under construction	179	135	68	-	37	-685	266	-
Disposals	-	-8	-67	-	-32	-169	-29	-305
Capitalised loan expenses	-	-	-	-	-	5	2	7
Currency effects	-516	-1 169	-93	-	-1 989	-56	-82	-3 905
Depreciation/impairments	-435	-1 019	-333	-77	-290	-17	-363	-2 534
Accumulated depreciation/impairments on disposals	-	1	67	-	7	-	23	98
Book value 31.12.	21 275	17 753	5 272	2 197	27 926	2 944	872	78 239
Cost 31.12.	27 171	28 540	10 506	3 255	30 754	2 961	3 171	106 358
Accumulated depreciation and impairments 31.12.	-5 896	-10 787	-5 234	-1 058	-2 828	-17	-2 299	-28 119
Book value 31.12	21 275	17 753	5 272	2 197	27 926	2 944	872	78 239
Depreciation period (years)	30-75	15-40	25-35	5-50	25-75		3-40	

¹ The Other item mainly includes district heating plants, buildings, office and computer equipment, electro-technical installations and vehicles.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

An impairment test carried out at year-end resulted in an impairment of property, plant and equipment of NOK 140 million. The reason for the impairment is improved knowledge about recently acquired facilities and therefore a better basis for estimating future cash flows, as well as the still unsettled market conditions.

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A more detailed specification of the useful economic lifetimes of the various assets is provided below. There have been no material changes in depreciation schedules compared with previous years:

	Depreciation period (years)		Depreciation period (years)
Waterfall rights	perpetual	Distribution grid facilities	
Dams		– transformer	35
– riprap dams, concrete dams	75	– switchgear, high voltage	35
– other dams	30	Buildings (admin etc.)	25–50
Tunnel systems	75	Other fixed installations	
Mechanical installations		– permanent	20
– pipe trenches	40	– less permanent	10
– generators (turbine, valve)	40	Miscellaneous fixtures	5
– other mechanical installations	15	Land	perpetual
Underground facilities	75	Office and computer equipment	3
Roads, bridges and quays	75	Furnishings and equipment	5
Electrotechnical installations		Vehicles	8
– transformer/generator	40	Construction equipment	12
– switchgear (high voltage)	35	Small watercraft	10
– control equipment	15	Gas and steam generators	20–25
– operating centre	15	Water cooling systems	20–25
– communication equipment	10	Gas power plant transformers	20–25

INVESTMENT PROPERTIES

The Group owns properties in Trondheim, which it intends to develop in order to sell or lease. The market value of these properties has been assessed at NOK 212 million, and the book value is NOK 16 million. Market value has been established on the basis of financial considerations in the form of cash flow analyses performed by an independent broker in 2009. This was primarily based on local market knowledge gained from reviewing the individual properties' abilities to generate current and future rental income, along with the properties' development potential, location, condition and knowledge of the buyers' required rate of return.

Property, plant and equipment includes leased waterfall rights where power plants are owned and operated by the lessee. At the end of the lease agreement, Statkraft has mainly the right to acquire the plant facilities at a technical value.

19 → ASSOCIATES AND JOINT VENTURES

COMPANIES RECOGNISED IN ACCORDANCE WITH THE EQUITY METHOD.

Shares in associates and joint ventures are recognised using the equity method in the consolidated financial statements. This applies to the following companies:

Name	Registered office	Shareholding	Voting rights
Joint ventures::			
Naturkraft AS	Bærum	50.0%	50.0%
Luster Småkraft AS	Gaupne	50.0%	50.0%
Viking Varme AS	Porsgrunn	50.0%	50.0%
Devoll Hydropower SHA	Tirana	50.0%	50.0%
Statkraft Agder Energi Vind DA	Kristiansand	62.0%	62.0%
Kraftwerksgesellschaft Herdecke, GmbH & Co. KG	Hagen	50.0%	50.0%
Biomassheizkraftwerk Landesbergen GmbH	Landesbergen	50.0%	50.0%
Catamount Energy Ltd	St. Albans	50.0%	50.0%
Greenpower Carraig Gheal Ltd	Sterling	50.0%	50.0%
Greenpower Little Law Ltd	Sterling	50.0%	50.0%
Scira Offshore Energy Ltd (Scira)	London	50.0%	50.0%
HPC Ammerån AB	Stockholm	50.0%	50.0%
HPC Byske AB	Stockholm	50.0%	50.0%
HPC Edsox AB	Stockholm	50.0%	50.0%
HPC Rön AB	Stockholm	50.0%	50.0%
Hidroeléctrica La Higuera S.A	Santiago	50.0%	50.0%
Hidroeléctrica La Confluencia S.A	Santiago	50.0%	50.0%
Associates:			
Baillie Wind Farm Ltd	Thurso	33.9%	33.9%
Forewind Ltd	London	25.0%	25.0%
Hydra Tidal Energy Technology AS	Oslo	28.3%	28.3%
Energy Future Invest AS	Oslo	34.0%	34.0%
Stiftelsen Norwegian Electricity Cooperation	Oslo	29.0%	29.0%
Midtnorge Kraft AS	Rissa	40.0%	40.0%
Cinclus Technology AS	Bærum	34.0%	34.0%
Censitel AS	Horten	40.0%	40.0%
Vestfold Trafo Energi AS	Stokke	34.0%	34.0%
Energi og Miljøkapital AS	Skien	35.0%	35.0%
Termokraft AS	Porsgrunn	22.2%	22.2%
Biomassheizkraftwerk Emden GmbH	Emden	30.0%	30.0%
Rullestad og Skromme Energi AS	Etne	35.0%	35.0%

Name	Registered office	Shareholding	Voting rights
Bergenshalvøens Kommunale Kraftselskap AS (BKK)	Bergen	49.9%	49.9%
Agder Energi AS (Agder)	Kristiansand	45.5%	45.5%
Istad AS	Molde	49.0%	49.0%
Ecopro AS	Steinkjer	25.0%	25.0%
Södra Statkraft Vindkraft Utveckling AB	Stockholm	40.0%	40.0%
Nividhu (Pvt) Ltd	Colombo	30.0%	30.0%
Malana Power Company Ltd	New Dehli	49.0%	49.0%
Allain Duhangan Hydro Power Ltd	New Dehli	43.1%	43.1%
SN Aboitiz Power – Magat Inc	Manilla	40.0%	40.0%
SN Aboitiz Power Benguet Inc	Manilla	40.0%	40.0%
SN Aboitiz Power Hydro Inc	Manilla	40.0%	40.0%
Manila-Oslo Renewable Enterprise Inc	Manilla	16.7%	16.7%
SN Aboitiz Power Nueva Ecija Inc	Manilla	40.0%	40.0%
SN Aboitiz Power Pangasnán Inc	Manilla	40.0%	40.0%
SN Aboitiz Power Cordillera Inc	Manilla	40.0%	40.0%
SN Aboitiz Power RES Inc	Manilla	40.0%	40.0%

None of the companies have observable market value in the form of listed market prices or similar.

NOK million	BKK	Agder	Naturkraft AS	Istad AS	Scira	SN Power
Opening balance 01.01.09	6 015	3 869	744	246	-	2 739
Share of profit	638	726	51	23	11	-
Amortisation of excess value	-15	-66	-	-12	-	-
Impairment ¹	-	-	-213	-	-	-
Investment/sale ²	-	5	-	-	471	-2 739
Dividend	-591	-436	-	-22	-	-
Currency effects	-	-	-	-	-	-
Change in hedging instruments	-	-	-	-	-	-
Equity transactions booked directly in the company	-50	45	-	-	-	-
Reduction of capital	-108	-	-1 014	-	-	-
Other ³	-	-	432	-3	-	-
Closing balance 31.12.09	5 889	4 143	-	232	482	-
Excess value 31.12.09	2 347	2 395	-	73	-	-
Of which unamortised waterfall rights	1 818	333	-	-	-	-

NOK million	SN Aboitiz Power - Magat Inc	Hidroelectrica La Higuera S.A	Malana Power Company Ltd	Hidroelectrica La Confluencia S.A.	Other	Total
Opening balance 01.01.09	-	-	-	-	774	14 387
Share of profit	89	25	57	-	37	1 657
Amortisation of excess value	-	-	-	-	-1	-94
Impairment ¹	-	-98	-	-	-73	-384
Investment/sale ²	928	1 213	794	765	1 401	2 838
Dividend	-	-	-	-	-34	-1 083
Currency effects	19	-	32	-	-67	-16
Change in hedging instruments	-	-	-	-	-	-
Equity transactions booked directly in the company	13	23	-7	108	-63	69
Reduction of capital	-	-	-	-	-198	-1 320
Other ³	-	-	-	-	26	455
Closing balance 31.12.09	1 049	1 162	877	873	1 802	16 509
Excess value 31.12.09	393	863	292	542	754	7 658
Of which unamortised waterfall rights	-	-	-	-	-	2 151

¹ As a result of lower prices and currency effects, the investment in Naturkraft was written down by NOK 213 million in 2009.

² Investments/sale include increasing the shareholding in SN Power from 50 to 60%.

³ Other mainly consists of transfer of a negative profit share from Naturkraft which reduces the book value of loans in other financial assets, see Note 20.

COMPANIES RECOGNISED IN ACCORDANCE WITH THE EQUITY METHOD – 100% BASIS

The statement below shows financial information in connection with Statkraft's largest investments in associates and joint ventures recognised on a 100 percent basis:

Income Statement (unaudited)	Agder		BKK	
	2009	2008	2009	2008
NOK million				
Operating revenues	8 278	7 211	3 188	4 121
Operating expenses	-5 983	-5 509	-1 742	-1 742
Operating profit	2 294	1 702	1 446	2 379
Profit before tax and minority interests	2 822	1 150	2 192	1 523
Net profit for the year	1 630	510	1 270	762

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Balance sheet (unaudited)

NOK million	Agder		BKK	
	2009	2008	2009	2008
Non-current assets	12 514	11 906	16 795	14 813
Current assets	1 997	3 088	1 435	3 754
Assets	14 510	14 994	18 230	18 567
Equity	3 764	3 007	7 303	7 516
Minority interests	30	14	21	19
Long-term liabilities and obligations	6 333	6 616	5 777	3 183
Current liabilities	4 384	5 357	5 130	7 849
Liabilities and equity	14 510	14 994	18 230	18 567

Income statement (unaudited)

	SN Aboitiz Power – Magat Inc (figures in MPHP)	Hidroeléctrica La Higuera S.A (figures in MUSD)	Malana Power Company Ltd (figures in MINR)	Hidroeléctrica La Confluencia S.A. (figures in MUSD)
Local currency million	2009	2009	2009	2009
Operating revenues	3 971	8	1 643	-
Operating expenses	-1 350	-	-313	-
Operating profit	2 622	8	1 330	-
Profit before tax and minority interests	1 543	8	1 172	-
Net profit for the year	1 426	9	985	-

Balance sheet (unaudited)

NOK million	2009	2009	2009	2009
Non-current assets	24 611	407	7 828	296
Current assets	2 878	38	4 535	61
Assets	27 488	445	12 363	357
Equity	11 953	102	8 608	115
Minority interests	-	-	-	-
Long-term liabilities and obligations	13 938	320	3 421	200
Current liabilities	1 597	23	335	42
Liabilities and equity	27 488	445	12 363	357

JOINT VENTURES

Statkraft has shareholdings in jointly owned power plants. These power plants are treated as joint ventures and are recognised with Statkraft's share of income, expenses, assets and liabilities. Power plants with a shareholding of less than 50% are operated by others.

Name	Shareholding
Grytten	88.00%
Vikfalli	88.00%
Følgefonn	85.06%
Kobbelv	82.50%
Ulla-Førre	72.00%
Svartisen	70.00%
Eidfjord	65.00%
Leirdøla	65.00%
Harrsele	50.57%
Järnvägsforsen	94.85%
Gäddede	70.00%
Volgsjöfors	73.10%
Stennäs	90.10%
Gammelby	90.10%
Björna	90.10%
Gideå	90.10%
Gidbøle	90.10%
Gideåbacka	90.10%
Båtfors	6.64%
Forsmo	2.20%
Selfors	10.60%
Harjavalta	13.20%
Svorka	50.00%
Kraftverkene i Orkla	48.60%
Sira-Kvina Kraftselskap DA	46.70%
Mørkfoss-Solbergfoss	33.33%
Härsele AB	50.57%
Røldal-Suldal Kraft AS ¹	8.74%
Tyssefaldene ²	60.17%
Aurlandsverkene	7.00%

¹ Statkraft owns 8.74% of the shares in Røldal-Suldal Kraft AS, which in turn owns 54.79% of the Røldal-Suldal plants. Statkraft's indirect shareholding in the power plants is thus 4.79%

² Statkraft acquired 39.88% of the shares held by Boliden Odda in AS Tyssefaldene in accordance with the agreement which came into force on 1 July 2009. As a result, Statkraft's shareholding increased to 60.17%. For more detailed information, see Note 3 Important events, power agreements section.

20 → OTHER NON-CURRENT FINANCIAL ASSETS

NOK million	2009	2008
Valued at amortised cost:		
Receivables from Statkraft SF	-	1 049
Loans to associates ¹	899	481
Bonds and other long-term receivables	557	109
Total valued at amortised cost	1 456	1 639
Voluntarily designated at fair value through profit or loss:		
Equity investment CO ₂ fund	101	127
Available for sale:		
Other shares and shareholdings	20 382	23 403
Total	21 939	25 169

¹ Loans to Naturkraft AS are impaired by NOK 432 million, which corresponds to the negative value of Statkraft's investment, see Note 19.

The item Other shares and shareholdings includes the shares in E.ON AG of NOK 20 149 million in 2009 and NOK 23 125 million in 2008.

21 → INVENTORIES

NOK million	2009		2008	
	Recognised value	Cost price	Recognised value	Cost price
Valued at net realisable value:				
Green certificates	798	784	440	423
CO ₂ quotas	295	324	117	74
Total inventory valued at net realisable value	1 093	1 108	557	497
Valued at the lower of cost and net realisable value:				
Spare parts	78		83	
Other	76		59	
Total inventories are valued at the lower of cost and net realisable value	154		142	
Total	1 247		699	

22 → RECEIVABLES

NOK million	2009	2008
Accounts receivable	2 746	2 649
Accrued revenues etc.	1 868	3 377
Receivables from Statkraft SF	1 049	-
Interest-bearing restricted funds	215	1 910
Other receivables	2 829	3 710
Total	8 707	11 646

Other receivables mainly comprises receivables from associates of NOK 987 million, prepaid expenses of NOK 626 million and value added tax owed to Statkraft of NOK 585 million.

Maturity schedule, receivables

2009	NOK million	Non-impaired receivables, due			Receivables past due, impaired	Total
		Not yet due	Within 90 days	After 90 days		
	Accounts receivable	2 373	306	66	1	2 746
	Other receivables	5 912	46	3	-	5 961
	Total	8 285	352	69	1	8 707

Recognised as loss for the year 12

2008	NOK million	Non-impaired receivables, due			Receivables past due, impaired	Total
		Not yet due	Within 90 days	After 90 days		
	Accounts receivable	2 334	251	52	12	2 649
	Other receivables	8 967	26	4	-	8 997
	Total	11 301	277	56	12	11 646

Recognised as loss for the year 15

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23 → SHORT-TERM FINANCIAL INVESTMENTS

NOK million	2009	2008
Bonds	206	175
Fixed income funds	126	109
Shares and other investments	89	65
Total	421	349

24 → DERIVATIVES

The table below shows derivatives with respective positive and negative market values allocated by portfolio. The portfolios are described in Note 32. The figures for energy derivatives included in the table below are the recognised values of contracts which in accordance with IAS 39 fall under the definition of financial instruments. There can be significant deviations between the accounting values and the underlying real economic values due to the fact that the portfolios contain contracts that are both covered and not covered by IAS 39.

Derivatives – current assets

NOK million	2009	2008	2007
Energy derivatives			
Nordic hydropower portfolio excluding industrial power	-67	439	525
Industrial power contracts in Nordic hydropower portfolio	88	115	12
Trading and Origination	3 174	5 250	5 224
Continental assets	232	183	-
End-user portfolio	-	261	98
Total	3 427	6 248	5 860

Currency and interest rate derivatives

Interest rate swaps	145	57	42
Forward exchange rate contracts	221	701	155
Combined interest rate and currency swaps	852	84	173
Total	1 218	842	370

Total derivatives current assets	4 645	7 090	6 230
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Derivatives – non-current assets

NOK million	2009	2008	2007
Energy derivatives			
Nordic hydropower portfolio excluding industrial power	125	147	422
Industrial power contracts in Nordic hydropower portfolio	936	1 515	761
Continental assets	1 568	2 101	-
Total	2 629	3 763	1 182

Currency and interest rate derivatives

Interest rate swaps	552	570	451
Forward exchange rate contracts	169	53	61
Combined interest rate and currency swaps	8	1 330	402
Total	729	1 953	914

Total derivatives – non-current assets	3 358	5 716	2 096
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Derivatives – current liabilities

NOK million	2009	2008	2007
Energy derivatives			
Nordic hydropower portfolio excluding industrial power	182	-319	494
Industrial power contracts in Nordic hydropower portfolio	406	764	530
Trading and Origination	2 878	4 529	5 344
Continental assets	268	81	239
End-user portfolio	45	330	101
Total	3 779	5 385	6 708

Currency and interest rate derivatives

Forward exchange rate contracts	165	2 302	-
Combined interest rate and currency swaps	123	-	121
Total	288	2 302	121

Total derivatives – current liabilities	4 067	7 687	6 829
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Derivatives – long-term liabilities

NOK million	2009	2008	2007
Energy derivatives			
Nordic hydropower portfolio excluding industrial power	1 427	1 930	2 010
Industrial power contracts in Nordic hydropower portfolio	743	642	2 052
Trading and Origination	1 326	-	-
Continental assets	-	366	716
Total	3 496	2 938	4 778
Currency and interest rate derivatives			
Interest rate swaps	440	184	444
Forward exchange rate contracts	54	480	81
Combined interest rate and currency swaps	26	10	322
Total	520	674	847
Total derivatives – long-term liabilities	4 016	3 612	5 625

Forward exchange rate contracts for the sale of EUR against NOK have increased in value from 2008 to 2009 as a result of the appreciation of NOK against EUR.

25 → CASH AND CASH EQUIVALENTS

NOK million	2009	2008
Cash and bank deposits	5 629	2 199
Money market funds, certificates, promissory notes, bonds	1 034	10
Total	6 663	2 209

Book value of cash and cash equivalents pledged as security to/from counterparties:

The following amounts in cash and cash equivalents are pledged as security to/from counterparties:

NOK million	2009	2008
Cash collateral for financial derivatives	-1 351	-534
Deposit account in connection with power sales on energy exchanges	40	494
Total	-1 311	-40

Cash collateral comprises payments made to/received from counterparties as security for net unrealised gains and losses that Statkraft has on interest rate and currency swaps, as well as forward exchange contracts.

26 → PROVISIONS

NOK million	2009	2008
Deferred tax	8 365	6 145
Pension liabilities	2 094	2 275
Other provisions	3 194	2 907
Total provisions	13 653	11 327

Pension liabilities are discussed in more detail in Note 12, while deferred tax is covered in Note 16.

Other provisions primarily relate to an advance payment received in connection with a future power sales agreement for Rana Power Plant. The advance payment was received in 2005 and amounted to NOK 2200 million. This is being amortised over the 15-year term of the agreement.

NOK million	Rana	Other	Total
Opening balance 01.01.08	1 759	1 305	3 064
New provisions in the period	-	128	128
Amount utilised in the period	-147	-164	-311
Currency effects	-	26	26
Closing balance 31.12.08	1 612	1 295	2 907
New provisions in the period	-	582	582
Amount utilised in the period	-147	-128	-275
Currency effects	-	-20	-20
Closing balance 31.12.09	1 465	1 729	3 194

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27 → LONG-TERM INTEREST-BEARING LIABILITIES

NOK million	2009	2008
Loan from Statkraft SF	1 053	5 165
Bond loans from the Norwegian market	15 605	14 256
Other loans raised from non-Norwegian markets	16 845	9 965
External loans in subsidiaries and other loans	2 839	1 253
Total	36 342	30 639

Total interest-bearing liabilities increased from NOK 41 billion in 2008 to NOK 46 billion in 2009, see Notes 27 and 28. The Group's net borrowing in 2009 amounted to NOK 6 billion. Other changes are mainly explained by changes in currency exchange rates for loans denominated in foreign currency.

See Notes 29–34 for more details.

28 → CURRENT LIABILITIES

Short-term interest-bearing liabilities

NOK million	2009	2008
Certificate loans	1 114	4 509
First year's instalment on long-term liabilities	2 637	1 676
First year's instalment on long-term liabilities from Statkraft SF	3 483	2 023
Debt connected to cash collateral	1 522	1 385
Overdraft facilities	319	531
Other short-term loans	243	28
Total	9 318	10 152

See comments in Note 27.

Other interest-free liabilities

NOK million	2009	2008
Trade payables	2 187	2 295
Indirect taxes payable	798	805
Other interest-free liabilities	6 249	2 260
Current liabilities due to Statkraft SF	102	463
Total	9 336	5 823

Other interest-free liabilities includes an equity instrument liability.

29 → USE OF FINANCIAL INSTRUMENTS

THE EFFECT OF FINANCIAL INSTRUMENTS ON THE FINANCIAL POSITION AND RESULTS

Financial instruments account for a significant part of Statkraft's total balance sheet and are of material importance for the Group's financial position and results. Most of the financial instruments can be categorised into the two main categories of financial activities and energy trading. Financial instruments used in financial activities primarily consist of loans, interest rate and currency swaps, forward interest agreements and forward exchange contracts. Financial instruments in energy trading mainly consist of financial and physical agreements relating to purchase and sale of power, gas, oil, coal, CO₂ quotas, contracts with volume options, as well as embedded derivatives in physical energy sales agreements. In addition to the above, other financial instruments exist in the form of accounts receivable, accounts payable, cash, short-term financial investments and equity investments.

A range of financial instruments are used within the area of finance as part of a financial hedging strategy without, however, satisfying the formal requirements for hedge accounting contained in IAS 39. The hedged items are often assets in foreign currency, future cash flows or financial instruments valued at amortised cost with equal effective interest over the term of the instrument, while hedging instruments are recorded at fair value with changes in value recognised through profit or loss. Changes in the fair value of financial instruments will result in a significant degree of volatility in the income statement without fully reflecting the financial realities. Hedge accounting in accordance with IFRS has been used in certain cases. This applies to selected loan arrangements where the interest rate has been swapped from fixed to floating rates (fair value hedging), to the hedging of net investments in a foreign unit and to cash flow hedging. Financial derivatives and changes in value for these are presented in separate lines in the balance sheet and income statement.

Significant use is made of financial instruments in energy trading activities. A number of financial instruments are also in use as part of a financial strategy where the Group continuously optimises future income from parts of the expected production volume. Hedge accounting in accordance with IAS 39 is not used as this will not necessarily be able to show the underlying economic reality for the entire portfolio. Some energy derivatives are embedded derivatives that are components of physical contracts that are not as such covered by IAS 39. Energy derivatives are valued at fair value with changes in value being recognised through profit or loss. In light of the significant volumes associated with such contracts, changes in value of the contracts will result in major volatility in the balance sheet and income statement, without this fully reflecting the underlying business. Energy contracts and changes in value for these are presented in separate lines in the balance sheet and income statement.

30 → HEDGE ACCOUNTING

GENERAL DESCRIPTION OF HEDGE ACCOUNTING AT STATKRAFT

Fair-value hedging Three loan arrangements are treated as fair value hedges. Issued bond loans have been designated as hedging objects in the hedging relationships, and the associated interest swap agreements have been designated as hedging instruments.

The opportunities for further hedge accounting through fair value hedging are assessed on an ongoing basis as new borrowings are taken out and hedging contracts are established, as well as by continuously assessing the hedging efficiency of the hedging relationships. When hedging efficiency can be documented, hedge accounting will normally be used.

Hedging of net investments in foreign entities Some investments in subsidiaries of SN Power have been subject to hedge accounting. One hedging relationship remains as of 31 December 2009.

Cash flow hedging Some of the project financing in foreign subsidiaries has been swapped from floating interest to fixed interest. The opportunities for other hedge accounting are assessed on an ongoing basis on the finance side. Hedge accounting will normally be used in cases where the efficiency of hedging can be documented. As regards energy production, Statkraft has concluded that hedge accounting does not necessarily provide sufficient equalisation in the recognised result. Consequently, no on-going assessment is made of opportunities to document hedge accounting connected to power production.

Detailed description of fair value hedging The hedging objects are issued fixed-interest bonds with a total nominal value of EUR 1200 million. The hedging instruments are interest swap agreements with a nominal value of EUR 1200 million, entered into with major banks as the counterparties. The agreements swap interest rate from fixed to floating 6-month and 3-month EURIBOR. The hedging relationships have been established to reduce interest risk. The critical terms of the hedging object and hedging instrument are deemed to be approximately the same, and 90–100% hedging efficiency is assumed. The inefficiency is recognised in the income statement.

Fair value of hedging instruments

NOK million	2009	2008
Hedging instruments used in fair value hedging	1 188	438
Hedging instruments in cash flow hedging	-2	-
Hedging instruments used to hedge net investments in a foreign operation	7	-
Total fair value of hedging instruments	1 193	438

Other information on fair value hedging

NOK million	2009	2008
Gains (+) and losses (-) on hedging instruments	1 188	438
Gains (+) and losses (-) on hedging objects, in relation to the hedged risk	-1 197	-438

31 → FAIR VALUE OF FINANCIAL INSTRUMENTS

FAIR VALUE OF ENERGY DERIVATIVES

The fair value of energy derivatives is set at quoted prices when market prices are available. The fair value of other energy derivatives has been calculated using valuation techniques and discounting of expected future cash flows. Below is a description of assumptions and parameters that have been applied in the determination of fair value.

Electricity price Energy exchange contracts are valued at official closing rates at the balance sheet date. The closing rates are discounted.

Other bilateral electricity contracts are valued on the basis of a market price curve. Closing rates on energy exchanges are used for contracts with terms between 0 and 5 years. For time horizons exceeding 5 years, the price is adjusted with expected inflation in line with the inflation target of the central banks.

Some contracts are linked to area prices. These contracts are valued using the official closing rates on energy exchanges. Separate models are used for regional prices without official closing prices. If the contracts extend beyond the horizon quoted on energy exchanges, the price is adjusted for the expected rate of inflation.

Raw materials Statkraft has gas contracts where the references for the contract price include the price development of gas, coal and oil products. Several energy contracts have contract prices which refer to the price development of various commodities. These are valued using forward prices from relevant commodity exchanges and major financial institutions. If quotes are not available for the entire time period, the commodity prices are adjusted for inflation based on the most recent quoted price in the market.

CO₂ CO₂ contracts are priced based on the forward price of EUA quotas and CER quotas. Statkraft uses the closing rate on commodity exchanges to price CO₂ contracts. For post-Kyoto contracts, the price in the last traded contract is used in the valuation of the contracts.

Foreign currency Several energy contracts have prices in different currencies. For these contracts, relevant market prices have been obtained from Reuters and major financial institutions. If there are no quotes for the entire time period in question, the interest parity is used to calculate exchange rates.

Interest rates The market interest rate curve (swap interest rate) is used as a basis for discounting derivatives. This is obtained from major financial institutions. In cases where the credit risk is relevant, the interest rate curve is adjusted upwards. This applies to all external bilateral contracts classified as assets and liabilities.

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FAIR VALUE OF CURRENCY AND INTEREST RATE DERIVATIVES

The fair value of interest swap agreements, currency swap agreements and forward currency exchange contracts is determined using valuation techniques where expected future cash flows are discounted to present value. Expected cash flows are calculated and discounted using observed market interest rates for the various currencies (swap interest rate curve) and observed foreign currency rates. The valuation of forward currency exchange contracts is based on observed exchange rates, from which the forward exchange rate is extrapolated. Estimated present value is subjected to a test of reasonableness against calculations made by the counterparties to the contracts.

FAIR VALUE OF FINANCIAL INVESTMENTS

Certificates and bonds Certificates and bonds are valued at quoted prices.

Shares Equity investments are valued at quoted prices where such are available and the securities are liquid. Other securities are valued using valuation techniques and by discounting expected future cash flows.

FAIR VALUE OF EQUITY INVESTMENTS IN THE CO₂ FUND

Equity investments in the CO₂ fund are voluntarily designated "at fair value through profit or loss" and are valued using valuation techniques and by discounting expected future cash flows. Assumptions concerning the number of quotas that will be distributed by the fund are a discretionary estimate. The price assumption is described under CO₂ above.

FAIR VALUE OF LONG-TERM LIABILITIES, FIRST YEAR'S INSTALMENT ON LONG-TERM LIABILITIES AND CERTIFICATE LOANS

The fair value is calculated on the basis of valuation techniques where expected future cash flows are discounted to present value. Expected cash flows are calculated and discounted using observed market interest rates and exchange rates for the various currencies (swap interest rate curve) adjusted upwards for credit risk.

Assets and liabilities recognised at amortised cost

NOK million	Note	2009 Recognised value	2009 Fair value	2008 Recognised value	2008 Fair value
Financial assets valued at amortised cost					
Receivables from Statkraft SF	20	-	-	1 049	1 049
Loans to associates	20	899	952	481	480
Bonds and other long-term receivables	20	557	557	109	109
Accounts receivable	22	2 746	2 746	2 649	2 649
Accrued revenues etc.	22	1 868	1 868	3 377	3 377
Receivables from Statkraft SF	22	1 049	1 049	-	-
Interest-bearing restricted funds	22	215	215	1 910	1 910
Other receivables	22	2 829	2 829	3 710	3 710
Cash and bank deposits	25	5 629	5 629	2 199	2 199
Total		15 792	15 845	15 484	15 483
Financial liabilities valued at amortised cost					
Loans from Statkraft SF	27	-1 053	-1 142	-5 165	-5 408
Bond loans from the Norwegian market	27	-15 605	-16 031	-14 256	-15 652
Other loans raised from non-Norwegian markets	27	-16 845	-17 580	-9 965	-10 117
External loans in subsidiaries and other loans	27	-2 839	-2 711	-1 253	-240
Debt connected to cash collateral	28	-1 522	-1 522	-1 385	-1 385
Certificate loans	28	-1 114	-1 116	-4 509	-4 543
Overdraft facilities	28	-319	-319	-531	-531
First year's instalment on long-term liabilities	28	-6 120	-6 209	-3 699	-3 741
Other short-term loans	28	-243	-243	-28	-28
Trade payables	28	-2 187	-2 064	-2 295	-2 295
Indirect taxes payable	28	-798	-798	-805	-805
Other interest-free liabilities	28	-6 249	-6 372	-2 260	-2 260
Current liabilities due to Statkraft SF	28	-102	-102	-463	-463
Total		-54 996	-56 209	-46 614	-47 468

Assets and liabilities recognised at fair value, divided among level for fair-value measurement

The company classifies fair-value measurements by using a fair-value hierarchy which reflects the importance of the input used in the preparation of the measurements. The fair-value hierarchy has the following levels:

Level 1: Non-adjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Other data than the quoted prices included in Level 1, which are observable for assets or liabilities either directly, i.e. as prices, or indirectly, i.e. derived from prices.

Level 3: Data for the asset or liability which are not based on observable market data.

NOK million	Note	Fair-value measurement at period-end using			2009	2008
		Level 1	Level 2	Level 3	Fair value	Fair value
Financial assets at compulsory fair value						
Energy derivatives	24	100	4 172	1 784	6 056	10 011
Currency and interest rate derivatives	24	-	1 947	-	1 947	2 795
Total		100	6 119	1 784	8 003	12 806
Financial assets at voluntary fair value						
Equity investment CO ₂ fund	20	-	-	101	101	127
Bonds	23	206	-	-	206	175
Shares and other investments	23	89	-	-	89	65
Fixed income funds	23	126	-	-	126	109
Money market funds, certificates, promissory notes, bonds	25	1 034	-	-	1 034	10
Total		1 455	-	101	1 556	486
Available-for-sale financial assets						
Other shares and shareholdings	20	20 382	-	-	20 382	23 403
Total		20 382	-	-	20 382	23 403
Financial liabilities at compulsory fair value						
Energy derivatives	24	-235	-2 287	-4 753	-7 275	-8 323
Currency and interest rate derivatives	24	-	-808	-	-808	-2 976
Total		-235	-3 095	-4 753	-8 083	-11 299
Total unrealised changes in value						
NOK million	Note			2009		2008
Energy contracts	10			-2 813		4 282
Currency and interest contracts	15			5 977		-3 102
Total				3 164		1 180
Assets and liabilities measured at fair value based on Level 3						
NOK million		Financial assets at compulsory fair value	Financial liabilities at compulsory fair value	Financial assets at voluntary fair value		Total
Opening balance 01.01.09		3 233	-4 616	127		-1 256
Unrealised changes in value		-1 420	-181	-36		-1 637
Purchase		-	-	10		10
Moved from Level 3		-29	44	-		15
Closing balance 31.12.09		1 784	-4 753	101		-2 868
Net realised loss for 2009						-463
Sensitivity analysis of factors classified to Level 3						
NOK million				10% reduction		10% increase
Net effect on energy prices				-65		73
Net effect on post-Kyoto contracts				-3		3

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MARKET RISK IN THE GROUP

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS GENERALLY

Statkraft's financial instruments are exposed to market risk. Market risk is the risk that a financial instrument's fair value or future cash flows will fluctuate as a result of changes in market prices. Market risk primarily relates to electricity price risk, CO₂ prices, gas price risk, interest rate risk and foreign currency risk.

Risk management at Statkraft focuses on portfolios of contracts rather than on specific contracts in accordance with IAS 39. Internal guidelines for market exposure have been established for all portfolios. Responsibility for continual monitoring of granted mandates and frameworks lies with independent organisational units. The frameworks for trading in both financial and physical contracts are continually monitored and regularly reported.

The following section contains a more detailed account of the various types of market risk, and how these are managed.

DESCRIPTION OF THE VARIOUS PORTFOLIOS AND THE RISK MANAGEMENT OF THE PORTFOLIOS

Nordic hydropower The Nordic hydropower portfolio is intended to cover hydropower production in the Nordic region and its associated risk. All financial and some physical contracts are recognised at fair value. The physical contracts that are valued at fair value are contracts with volume options and embedded derivatives.

Net exposure in this portfolio is derived from continually updated production forecasts, purchase and sale commitments under long-term physical contracts, as well as contracts traded via energy exchanges and bilateral financial contracts.

The physical sales commitments include statutory-priced industrial contracts, long-term sales contracts, concessionary power obligations, as well as miscellaneous free power and compensation power contracts. The majority of the statutory-priced industrial contracts will

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expire prior to 2011. The long-term contracts have varying terms, but the longest runs until 2030. Concessionary power agreements run in perpetuity. For certain of these sales obligations, the price is indexed to other market risks such as metals and foreign currency (embedded derivatives).

The financial contracts are both contracts traded via energy exchanges and bilateral contracts. These generally have terms of less than five years, though some financial contracts run until 2020. Some of the perpetual concessionary power agreements have been renegotiated to financial settlement for shorter terms.

Statkraft is exposed to both price and volume risk, because both future price and water inflow are unknown. Mandates are based on annual volume thresholds and the ratio to available production. The objective of the portfolio management is to optimise portfolio revenues and in addition reduce the portfolio risk. The risk is quantified using simulations of various scenarios for relevant risk factors.

Continental assets The assets in this portfolio are Baltic Cable AB, the gas power plants and other continental assets. The purpose of the portfolio is to manage energy production in continental Europe, including the gas-fired power plant at Kårstø, as well as associated risks.

The contract portfolio consists of financial and physical contracts relating to these assets. All financial contracts as well as several physical contracts are recognised at fair value.

The Group has shareholdings in five gas-fired power plants, four in Germany and one in Norway, and has in this connection entered into long-term supply contracts for natural gas. The purchase price for these contracts is indexed to coal and oil. The duration of the agreements differ. The gas agreements are mainly considered to be for own use except for contracts where the gas is resold and are therefore recognised at fair value in accordance with IAS 39.

The financial contracts in the portfolio are forward contracts for electricity, CO₂, oil products, gas and coal. The price development in the spot market for electricity, gas, the underlying commodities that are included in the indexing of the gas contracts, and CO₂ therefore affect the earnings of the gas-fired power plants. Statkraft engages in trading in accordance with the applicable mandates by locking in earnings when electricity prices are attractive relative to gas prices plus CO₂ costs. In addition, Statkraft also engages in financial trading to maximise the revenues from Baltic Cable.

The market risk in the portfolio is derived from the future market prices for electricity, CO₂, gas, coal and oil products. Mandates are based on annual volume thresholds and available production. The objective of the portfolio management is to optimise portfolio revenues and in addition reduce the portfolio risk. The risk is quantified using simulations of various scenarios for relevant risk factors.

Trading and origination Statkraft has various portfolios for trading and origination that are managed independently of the company's expected electricity production. Trading teams have been established in Oslo, Trondheim, Stockholm, Amsterdam and Düsseldorf. The portfolios act in the market with the aim of realising gains on changes in the market value of energy and energy-related products, as well as gains on non-standardised contracts.

All trading and origination contracts are recognised at fair value in accordance with IAS 39.5 and 39.6.

The trading activities involve buying and selling standardised and traded products. Electricity and CO₂ products, as well as green certificates, gas and oil products are traded. The contracts in the trading portfolio have durations ranging from 0 to 5 years.

Origination portfolios include both standardised products and structured contracts. Structured products may be energy contracts with a special duration, long-term contracts or energy contracts in different currencies. The portfolio also trades in transport capacity across national boundaries and includes virtual power plant contracts. Quoted, traded contracts such as system price, regional prices and foreign currency are generally used to reduce the risk involved in trading in structured products and contracts. The majority of the contracts in the portfolio have a duration of up to five years, though some contracts run until 2018.

Statkraft has allocated risk capital for the trading and origination business. Clear guidelines have been established for the types of products that are allowed to be traded. The mandates for trading and origination activities are adhered to through specified limits for Value-at-Risk and Profit-at-Risk. Both methods calculate the maximum potential loss a portfolio can incur, with a given probability factor over a given period of time. Credit risk and operational risk are also quantified in connection with the allocated risk capital.

FOREIGN EXCHANGE AND INTEREST RATE RISK

In relation to financial activities, Statkraft is exposed to two main types of market risk; foreign exchange risk and interest rate risk. Statkraft's methods for managing these risks are described below.

Foreign exchange risk Statkraft incurs currency risk in the form of transaction risk mainly in connection with energy sales revenues, investments and dividend from subsidiaries and associates in foreign currency. Balance sheet risk is related to shareholdings in foreign subsidiaries in Belgium, the UK, Sweden, Turkey and Germany as well as in SN Power which uses USD as its functional currency. There is also balance sheet risk in connection with investment in some associates.

The operational currency for Statkraft's trading on energy exchanges is EUR, which means that all contracts that are entered into via energy exchanges are denoted in EUR and are thus exposed to EUR. A corresponding currency exposure is incurred in connection with energy trading on other exchanges in other currencies than EUR. Statkraft hedges its currency exposure related to cash flows from energy sales of physical contracts and financial trading on energy exchanges, investments, dividends and other currency exposures in accordance with the company's financial strategy. Exposure hedging is achieved by using financial derivatives and loans in foreign currencies as hedging instruments. Few of the hedging relationships fulfil the requirements of hedge accounting in accordance with IAS 39.

Compliance with the limit for currency risk is followed up continuously by the independent middle-office function. Responsibility for entering into and following up positions is subject to divisions of responsibility and is allocated to separate organisational units. The currency exposure in relation to established frameworks in the finance strategy is regularly reported to Group management via the CFO.

Interest rate risk Most of Statkraft's interest rate risk exposure relates to the loan portfolio. An interest rate management framework has been established based on a mix between fixed and floating interest rates. The objective is to ensure that most of the net loan portfolio

is exposed to floating interest rates, but that up to 50% of the loan portfolio can be exposed to fixed interest rates. As a rule fixed interest rates shall apply for a period of more than five years. The strategy for managing interest rate risk is established based on an objective of achieving the most cost-efficient financing, coupled with the aim of a certain stability and predictability in finance costs. A management framework has also been established to limit the interest rate exposure in currencies other than NOK. The currency positions that are to be entered into are assessed on an ongoing basis, given the market conditions observed for the currency and the overall exposure that exists for that currency.

Compliance with the limit for currency risk is followed up continuously by the independent middle-office function. Responsibility for entering into and following up positions is subject to divisions of responsibility and is allocated to separate organisational units. The interest rate exposure per currency in relation to established frameworks in the finance strategy is regularly reported to Group management via the CFO.

Use of interest rate and foreign currency instruments Statkraft uses interest rate and foreign currency instruments in its management of the company's interest rate and foreign exchange exposure. Interest rate and currency swaps, forward interest rate agreements and forward contracts are used to achieve the desired currency and interest rate structure for the company's loan portfolio. Forward currency contracts are also used to hedge cash flows denominated in foreign currency.

33 → ANALYSIS OF MARKET RISK

Statkraft's main activities are the generation and trading of electrical power. In a market in which hydropower plays an important role, and where the supply of water varies a great deal from year to year, price and generating capacity will also vary considerably. As regards the gas power business, Statkraft is exposed to the price difference between the gas price and CO₂ and energy price ("clean spark spread"). Statkraft makes considerable use of forward contracts and other financial instruments to optimise its revenues. Market risk connected with energy optimisation thus covers volume risk, electricity price risk in the spot market and risk connected with positions in financial instruments. Market positions are also taken in connection with the Trading and Origination portfolios.

Statkraft quantifies risk as deviations from expected post-tax results with a given confidence level. Market risk is included in these calculations, which are used both in the follow-up of the business areas/portfolios and at Group level as part of reporting to Group management and the board. Statkraft's targets for market risk shall have a 95% probability of covering all potential losses (deviations from expected results) connected with the market risk of positions at the balance sheet date during the course of a year. Uncertainty in the underlying instruments/prices and their interrelatedness are calculated using statistical methods.

The time period for the calculations is one year. For contracts with exposure of more than one year, only the uncertainty relating to the current year is reflected in the calculations. The exposure can take the form of actual exposure or an expected maximum utilisation of frameworks. The model also takes into account covariation, both within the individual areas and between the areas.

Total market risk as of 31 December 2009 was calculated at NOK 1213 million, where the main risk relates to energy optimisation. Reduced market risk for energy optimisation explains most of the change from 2008. The risk related to energy optimisation varies substantially over a period of time as a result of uncertainty and the energy price level and production volumes. The reduction in the risk for energy optimisation from 31 December 2008 to 31 December 2009 must be seen in the context of lower expected revenues and the fact that the downside risk has been reduced.

The diversification effect emerges as the difference between total market risk in the specified areas and total market risk, where the correlation between e.g. energy prices, interest rates and currency exchange rates is taken into account. There is a minor reduction in diversification effects measured in NOK, but as the reduction in market risk before diversification effects is significantly higher, the diversification effect increases as a percentage.

NOK million	2009	2008
Market risk in energy optimisation (volume risk, spot price risk and hedging)	1 171	2 532
Market risk in portfolios for Trading and origination	276	237
Market risk in interest rates and currency	192	319
Market risk in distribution grid revenues	14	25
Market risk in end-user activities and district heating	50	30
Total market risk before diversification effects	1 703	3 143
Diversification effects	-490	-581
Total market risk	1 213	2 562
Diversification effect as a percentage	29%	19%

Specification of loans by currency¹

NOK million	2009	2008
Loans in NOK	22 221	23 206
Loans in SEK	3 183	5 408
Loans in EUR	15 760	8 734
Loans in USD	1 581	-
Loans in Peruvian Nuevo Sol	248	-
Total	42 993	37 348

¹ Includes long-term interest-bearing liabilities, first year's instalments on long-term interest-bearing liabilities, certificates, interest swap agreements and currency swap agreements

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Specification of loan interest by currency ¹	2009	2008
Nominal average interest, NOK	4.1%	6.7%
Nominal average interest, SEK	2.3%	4.9%
Nominal average interest rate, EUR	3.9%	5.3%
Nominal average interest, USD	4.8%	-
Nominal average interest, Peruvian Nuevo Sol	6.0%+VAC ²	-

¹ Includes long-term interest-bearing liabilities, first year's instalments on long-term interest-bearing liabilities, certificates, interest swap agreements and currency swap agreements

² VAC = Valor Adquisitivo Constante – Inflation adjustment

Fixed interest rate loan portfolio¹

NOK million	Future interest rate adjustments				Total
	2010	1–3 years	3–5 years	5 years and more	
Loans in NOK	13 683	541	1 477	6 519	22 221
Loans in SEK	3 183	-	-	-	3 183
Loan in EUR	10 952	65	-	4 743	15 760
Loans in USD	924	289	112	256	1 581
Loans in Peruvian Nuevo Sol	-	-	165	83	248
Total	28 742	894	1 755	11 601	42 993

¹ Includes long-term interest-bearing liabilities, first year's instalments on long-term interest-bearing liabilities, certificates, interest swap agreements and currency swap agreements

Short-term financial investments – bonds per debtor category

NOK million	2009			
	2009	2008	Duration	Average interest (%)
Commercial and savings banks	81	67	3.50	1.76
Industry	32	23	4.64	3.54
Public sector	93	85	3.50	3.79
Total	206	175		

34 → CREDIT RISK AND LIQUIDITY RISK

Statkraft's financial instruments are exposed to credit risk and liquidity risk.

CREDIT RISK

Credit risk is the risk of a party to a financial instrument inflicting a financial loss on the other party by not fulfilling its obligations. Statkraft assumes counterparty risk in connection with energy trading and physical sales, when placing surplus liquidity and when trading in financial instruments.

It is assumed that no counterparty risk exists for financial energy contracts which are settled through an energy exchange. For all other energy contracts entered into, the limits are stipulated for the individual counterparty using an internal credit rating. The counterparties are allocated to different categories. The internal credit rating is based on financial key figures. Bilateral contracts are subject to limits for each counterparty as regards volume, amount and duration. Statkraft also has a separate category for counterparties with which the Group will not engage for ethical reasons.

In order to reduce credit risk, bank guarantees are used in some cases when entering into agreements. The bank which issues the guarantee must be an internationally rated commercial bank. Parent company guarantees are also used. In such cases, the parent company is assessed and classified in the normal way. Subsidiaries will naturally never be rated higher than the parent company. In connection with bank guarantees and parent company guarantees, the counterparty will be classified in the same category as the issuer of the guarantee.

Statkraft has netting agreements with several of its energy trading counterparties. In the event of default, the netting agreements give a right to a final settlement where all future contract positions are netted and settled.

Placement of surplus liquidity is mainly divided among institutions rated BBB+ or better. For financial instruments, loss exposure is calculated in the event of breach of contract by the counterparty. Statkraft has entered into agreements relating to interim cash settlement of the market value of financial instruments with most of its counterparties (cash collateral), significantly reducing counterparty exposure in connection with these agreements.

Statkraft has good follow-up routines for ensuring that outstanding receivables are paid as agreed. Customer lists sorted by age are followed up continuously. If a contractual counterparty experiences payment problems, special procedures are applied.

The risk of counterparties not being able to meet their obligations is considered to be limited. Historically, Statkraft's losses on receivables have been limited.

The individual counterparty exposure limits are monitored continuously and reported regularly. In addition, the counterparty risk is quantified by combining exposure with the probability of the individual counterparty defaulting. The overall counterparty risk is calculated and reported for all relevant units, in addition to being consolidated at the Group level and included in the Group risk management.

Statkraft's gross credit risk exposure corresponds to the recognised value of financial assets, which are found in the various notes to the balance sheet. Statkraft has provided parent company guarantees for subsidiaries and associates (Note 39). The maximum credit risk exposure does not exceed the already recognised value of financial assets. Gross exposure to credit risk in financial assets is partly reduced through collateral. To the extent that relevant and substantial collateral has been provided, this has been presented below.

NOK million	Note	2009	2008
Gross exposure credit risk:			
Other non-current financial assets	20	21 939	25 169
Derivatives	24	8 003	12 806
Receivables	22	8 707	11 646
Short-term financial investments	23	421	349
Cash and cash equivalents	25	6 663	2 209
Total		45 733	52 179
Exposure reduced by security (guarantees, cash collateral etc.):			
Derivatives		-1 501	-1 334
Net exposure credit risk		44 232	50 845

In the case of financial derivatives, the credit risk for most counterparties and derivatives is reduced by the provision of security in the form of cash collateral. Cash collateral is settled on a weekly basis and will therefore not always be settled on 31 December. There could therefore be an outstanding credit risk at the year-end.

Frameworks for exposure to individual counterparties have been adopted in the case of short-term financial investments.

All cash and cash equivalents are receivables due from banks.

LIQUIDITY RISK

Statkraft assumes a liquidity risk because the term of its financial obligations is not matched to the cash flows generated by its assets, and because of variations in security requirements linked to both financial contracts in the forward market (energy exchanges) and cash collateral requirements. Statkraft has good borrowing opportunities from the Norwegian and European money markets and in the banking market. Drawdown facilities have been established to secure access to short-term financing. Statkraft's drawdown facilities are large enough to cover outstanding certificate liabilities at any time. A guarantee framework has been established to cope with significant fluctuations in the collateral required for financial contracts in the forward market required by Nord Pool. Statkraft has a liquidity capacity target of between 1.5 and 4.0. Liquidity capacity in this context is defined as cash and cash equivalents, plus committed drawdown facilities, overdrafts and projected receipts for the next six months divided by projected payments for the next six months.

The finance department prepares the liquidity forecasts, which are important for daily liquidity management and for planning future financing requirements. The liquidity reserve is a tool for the finance department's risk management and functions as a buffer in relation to the liquidity forecast. The liquidity reserve consists of the company's cash and cash equivalents, committed drawdown facilities and overdraft facilities. Cash and cash equivalents are intended to cover normal fluctuations in the company's cash flow. Committed drawdown facilities will be Statkraft's buffer against unforeseen events with significant cash flow consequences. An individual target figure for short-term liquidity capacity, which reflects Statkraft's ability to cover its future obligations, is included in the Group's balanced scorecard.

Maturity schedule, external long-term liabilities

NOK million	2010	2011	2012	2013	2014	After 2014
Instalments on loans from Statkraft SF	3 483	653	-	-	-	400
Instalments on bond loans from the Norwegian market	1 500	2 020	699	-	3 974	8 912
Instalments on other loans raised from non-Norwegian markets	900	590	119	2 484	-	13 652
Instalments on external loans in subsidiaries	238	494	199	1 654	122	369
Interest payments	1 765	1 567	1 461	1 429	1 344	3 378
Total	7 885	5 323	2 478	5 567	5 440	26 711

Allocation of non-discounted value of derivatives per period

The Group has a significant number of financial instruments which are reported as derivatives in the balance sheet. For derivatives with negative market value, where contractual due dates are decisive for the understanding of the timing of the cash flows, the non-discounted values are allocated to the time periods shown in the table below.

NOK million	2010	2011	2012	2013	2014	After 2014
Energy derivatives	1 711	852	551	419	443	1 636
Interest rate and foreign currency derivatives	265	49	5	-	20	454
Total	1 976	901	556	419	463	2 091

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35 → MANAGEMENT OF CAPITAL STRUCTURE

The main aim of the Group's management of its capital structure is to maintain a reasonable balance between the company's debt/equity ratio, its ability to expand and its maintenance of a strong credit rating.

Tools for long-term management of capital structure primarily are primarily comprised by the draw down and repayment of long-term liabilities and payments of share capital from/to the owner. The Group endeavours to obtain external financing from various capital markets. The Group is not subject to any external requirements with regard to the management of capital structure other than those relating to the market's expectations and the owner's dividend requirements.

There were no changes in the Group's targets and guidelines governing the management of capital structure in 2009.

The most important target figure for the Group's management of capital structure is long-term credit rating. Statkraft AS has a long-term credit rating of A- (negative outlook) from Standard & Poor's and Baa1 (stable outlook) from Moody's. In the short and medium term, Statkraft's goal is to maintain its current rating, and BBB+/Baa1 as a minimum. In the longer term, the goal is to achieve a stable A-level rating with both Standard & Poor's and Moody's.

Overview of capital included in management of capital structure

NOK million	Note	2009	2008
Long-term interest-bearing liabilities	27	36 342	30 639
Short-term interest-bearing liabilities	28	9 318	10 152
Cash and cash equivalents and short-term financial investments	23, 25	-7 084	-2 558
Net liabilities		38 576	38 233

36 → BENEFITS PAID TO EXECUTIVE MANAGEMENT AND THE BOARD

Statkraft is organised into business units and support functions. The managers of these units are members of the Management Team, and report to the Executive Management Team, which comprises the executive vice presidents (EVPs) and President and CEO. The Group management comprises the President and CEO and the EVPs.

Salaries and other benefits – executive management

NOK	Salary	Bonus ³	Benefits in kind	Salary and other benefits
Bård Mikkelsen, President and CEO ¹	3 503 646	-	246 582	3 750 228
Jørgen Kildahl, executive vice president	2 381 403	363 333	186 812	2 931 548
Jon G. Brandsar, executive vice president	1 958 897	363 333	166 096	2 488 326
Siri Hatlen, executive vice president ²	1 513 398	463 333	8 591	1 985 292
Stein Dale, executive vice president	2 153 398	463 333	28 071	2 644 802
Ragnvald Nærø, executive vice president	1 931 863	418 333	183 517	2 533 713

¹ Bård Mikkelsen was a board member of E.ON AG until 6 May 2009, and has received a remuneration of NOK 617 412 for 2009.

² Siri Hatlen stepped down on 30 June 2009. Salary and other benefits reflects the period as executive vice president

³ Bonus earned in 2008, but paid in 2009.

Each of the members of the Group management, except the President and CEO, has a bonus scheme which can give an annual payment up to NOK 500 000. The bonus is paid on the basis of achieving individually specified objectives.

The Group management has not received any remuneration or financial benefits from other companies in the same Group other than those shown above. No additional remuneration for special services over and above their normal managerial functions has been provided.

The total salaries and other benefits paid to executive management in 2008 amounted to NOK 15 859 085.

Remuneration to the board, audit committee and compensation committee

NOK	Board remuneration	Audit committee	Compensation-committee
Arvid Grundekjøn, chair person	341 000	-	40 000
Ellen Stensrud, deputy chair person	284 000	-	-
Halvor Stenstadvold, board member	226 000	75 000	-
Astri Botten Larsen, employee-elected board member	226 000	55 000	-
Thorbjørn Holøs, employee-elected board member	226 000	-	-
Odd Vanvik, employee-elected board member	226 000	-	25 000
Egil Nordvik, board member ¹	113 000	-	-
Berit J. Rødseth, board member	226 000	55 000	-
Bertil (Pertti) Tiusanen, board member ²	113 000	-	-
Aud Perdy Mork, board member ¹	113 000	-	12 500
Hilde M. Tonne, board member ²	113 000	-	12 500

¹ Egil Nordvik and Aud Perdy Mork stepped down from the board on 30 June 2009

² Bertil (Pertti) Tiusanen and Hilde M. Tonne became board members on the same date

The board has no remuneration agreements other than the directors' fee and remuneration for participation in committee work, nor have any loans or pledges been granted to board members.

Total remuneration paid to the board, Audit Committee and Compensation Committee in 2008 was NOK 2 153 500, NOK 177 500 and NOK 90 000 respectively.

Pension provisions – executive management

NOK	Pensions ²
Bård Mikkelsen, President and CEO	4 863 332
Jørgen Kildahl, executive vice president	1 794 181
Jon G. Brandsar, executive vice president	1 126 231
Stein Dale, executive vice president	1 060 561
Ragnvald Nærø, executive vice president	2 074 665
Siri Hatlen, executive vice president ¹	678 679

¹ Siri Hatlen stepped down on 30 June 2009. The pension provision reflects her time as an executive vice president.

² Pension scheme accounting cost for the year.

The President and CEO's retirement age is 65 with a pension amounting to 66% of annual salary. At age 62 the CEO may step down either voluntarily or at the request of the company. If this right is exercised, the CEO will be offered the position of consultant to the company with a 66% salary until the official retirement age.

Members of the Group management may retire at the age of 65 with a pension amounting to 66% of annual salary. During the period between 60 and 65, members of the Group management have agreements providing a mutual right to gradually scale back their workload and compensation.

The President and CEO and Group management do not have any severance pay agreements in addition to those mentioned above. Nor have any loans or pledges been granted to these parties.

The total pension provision for executive employees in 2008 was NOK 8 792 943.

37 → FEES PAID TO EXTERNAL AUDITORS

Deloitte AS is the Statkraft Group's auditor and audits all of the Group's subsidiaries with the exception of SN Power.

The total fees paid to the Group auditors for auditing and other services were as follows:

NOK	2009	2008
Statutory auditing	12 850 000	9 884 000
Other certification services	728 000	250 000
Tax consultancy services	2 064 000	1 129 000
Other services	2 539 000	292 000
Total	18 181 000	11 555 000

The increase in statutory auditing and tax consultancy expenses from 2008 to 2009 is mainly due to an increase in the number of entities as a result of business combinations.

The increase in other services is partly due to other assistance in connection with implementation of reporting systems in Skagerak Energi AS, assistance in connection with business combinations as well as other accounting issues.

Total fees to other auditors in the Group and other services are as follows:

NOK	2009	2008
Statutory auditing	2 163 760	-
Other certification services	44 030	-
Tax consultancy services	742 220	-
Other services	685 610	-
Total	3 635 620	-

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38 → RELATED PARTIES

All subsidiaries, associates and joint ventures stated in Note 5 and Note 19 are related parties of Statkraft. Intercompany balances and transactions between consolidated companies are eliminated on consolidation and are not shown in this Note.

The individuals stated in Note 36 are members of the Group management or the board and are also related parties of Statkraft.

In accordance with IAS 24, Astri Botten Larsen has been identified as a related party through her spouse, who is the general manager of and has a 28% shareholding in Norsk Radiokommunikasjon AS. In 2009, Norsk Radiokommunikasjon AS sold goods and services to Statkraft worth NOK 1 056 990 at market terms and conditions.

Jørgen Kildahl is a board member of Multiconsult AS, which in 2009 sold services to Statkraft for NOK 11 425 944 at market terms and conditions.

All transactions with related parties are conducted at market terms and conditions. Apart from the transactions that are stated in this Note and Note 36, there are no transactions or outstanding balances of significance with related parties.

The table below shows the transactions with related parties that are associates or joint ventures that are not eliminated in the consolidated financial statements.

NOK million	2009	2008
Revenues	40	205
Expenses	272	1 422
Receivables at the end of the period	206	419
Liabilities at the end of the period	472	102

39 → PLEDGES, GUARANTEES AND OBLIGATIONS

PLEDGES

Under certain circumstances local authorities and publicly owned energy companies are entitled to a share of the output from power plants belonging to Statkraft in return for paying a share of the construction costs. To finance the acquisition of such rights, the local authorities/ companies have been granted permission to pledge the power plant as security. The mortgage debt raised by the local authorities under this scheme totals NOK 1627 million. In addition, other subsidiaries have a total of NOK 2260 million in pledged assets. As of 31 December 2009, the book value of the pledged assets in Statkraft Energi AS totalled NOK 6113 million. The book value of pledged assets in other subsidiaries amounts to NOK 3094 million.

GUARANTEES

The Statkraft Group has the following off-balance-sheet guarantees:

NOK million	2009
Parent company guarantees	7 952
Other	122
Total guarantees in Statkraft AS	8 074
Parent company guarantees	750
Guarantees in Nord Pool and other energy exchanges	3 617
Financial power exchange agreement	1 131
Other	866
Total guarantees in subsidiaries	6 364
Total	14 438

The Statkraft Group had off-balance-sheet obligations and guarantees totalling NOK 10 501 million in 2008.

CONTRACT OBLIGATIONS

The Statkraft Group has the following off-balance-sheet obligations:

- Long-term agreement to purchase CO₂-quotas.
- Agreements relating to purchase of gas equalling 90 TWh in the period to 2017.
- A license agreement relating to the development, construction and operation of three hydropower plants which involves a joint responsibility estimated at EUR 950 million.

40 → LEASES

The total of future minimum lease payments in relation to non-cancellable leases for each of the following periods is:

NOK million	Within 1 year of the end of the period	Between 1 and 5 years of the end of the period	More than 5 years from the end of the period	Total
Property rental agreements	92	332	651	1 075
Other leases	9	19	6	34
Total	101	351	657	1 109

The lease amount connected to leases recognised in the period and specified in the following manner is:

NOK million	Minimum lease	Variable lease	Sublease payments
Property rental agreements	82	-	15
Other leases	13	-	-
Total	95	-	15

There are no other material operating or financial leases.

41 → CONTINGENCIES, DISPUTES ETC**EXCESS/SHORTFALL OF REVENUE**

In the monopoly-regulated distribution grid business, differences can arise between the revenue ceiling determined by the Norwegian Water Resources and Energy Directorate (NVE) and the amount actually invoiced as grid rental charges. If the invoiced amount is lower than the revenue ceiling, this results in surplus income, while if the invoiced amount is higher this generates a revenue shortfall. Revenue surpluses/shortfalls will even out over time as actual invoicing is adjusted.

Revenues are recognised in the accounts based on actual invoicing. Accumulated excess/shortfall of revenue as shown in the table below will be recognised in future periods.

Excess/shortfall of revenue distribution grid operations, closing balance

NOK million	2009	2008
Cumulative excess revenue transferred to subsequent years	255	137
Cumulative revenue shortfall transferred to subsequent years	-36	-8
Net excess/shortfall of revenue	219	129

DISPUTES

Statkraft has extensive business activities and is consequently likely to be involved in disputes of varying magnitude at any one time. At the time of the approval of the financial statements, there were no disputes that could have a material effect on Statkraft's result or liquidity.

42 → SHARES AND SHAREHOLDER INFORMATION

The parent company has a share capital of NOK 20 billion, divided into 200 million shares with a par value of NOK 100 each. All shares have the same voting rights and are owned by Statkraft SF, which is a Norwegian state-owned company, established and domiciled in Norway. Statkraft SF is wholly owned by the Norwegian state, through the Ministry of Trade and Industry.

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NOK million	Note	2009	2008
Operating revenues	1	433	1 324
Salaries and payroll costs	2, 3	-331	-264
Other operating expenses	4, 5	-597	-419
Depreciation and impairments	8	-40	-43
Operating expenses		-968	-726
Operating profit/loss		-535	598
Financial income	6	7 344	36 591
Financial expenses	6	-1 856	-8 054
Net financial items		5 488	28 537
Profit before tax		4 953	29 135
Tax expense	7	-1 477	586
Net profit		3 476	29 721
Disposal of profit for the year			
Group contribution payable	13	7 420	10 000
Transfer to (+)/from (-) other equity	13	-3 944	19 721

Balance Sheet

STATKRAFT AS

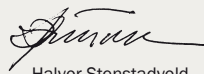
NOK million	Note	31.12.09	31.12.08
ASSETS			
Deferred tax asset	7	-	670
Property, plant and equipment	8	118	155
Investments in subsidiaries and associates	9	93 791	54 386
Other non-current financial assets	10	177	1 344
Non-current assets		94 086	56 555
Receivables	11	9 782	50 516
Cash and cash equivalents	12	5 149	241
Current assets		14 931	50 757
Assets		109 017	107 312
EQUITY AND LIABILITIES			
Paid-in capital	13	31 569	31 569
Retained earnings	13	16 554	20 500
Equity		48 123	52 069
Deferred tax	7	365	-
Provisions	14	562	532
Long-term interest-bearing liabilities	15, 17	32 987	28 043
Long-term liabilities		33 914	28 575
Short-term interest-bearing liabilities	16, 17	17 827	11 922
Other interest-free liabilities	18	9 153	14 746
Current liabilities		26 980	26 668
Equity and liabilities		109 017	107 312

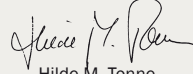
The Board of Directors of Statkraft AS
Oslo, 17 March 2010

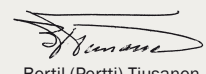

Arvid Grundekjøn
Chair


Berit Rødseth
Board member


Ellen Stensrud
Deputy chair


Halvor Stenstadvold
Board member


Hilde M. Tønne
Board member


Bertil (Pertti) Tiusanen
Board member


Thorbjørn Holøs
Board member


Odd Vanvik
Board member


Astri Botten Larsen
Board member


Bård Mikkelsen
President and CEO

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NOK million	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	4 953	29 135
Depreciation and impairments	40	43
Profit on the sale of shares	-149	-31 816
Cash flow from operating activities	4 844	-2 638
Change in long-term items	31	77
Changes in other short-term items	6 318	10 684
Net cash flow from operating activities A	11 193	8 123
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment	-104	-109
Proceeds from sale of non-current assets	101	1
Loans to third parties	23	-771
Investments in other companies	-2 356	-403
Net cash flow from investing activities B	-2 336	-1 282
CASH FLOW FROM FINANCING ACTIVITIES		
New debt	14 753	6 525
Repayment of debt	-8 702	-7 551
Dividend and group contribution paid	-10 000	-8 198
Net cash flow from financing activities C	-3 949	-9 224
Net change in cash and cash equivalents during the year A+B+C	4 908	-2 383
Cash and cash equivalents 01.01	241	2 624
Cash and cash equivalents 31.12	5 149	241

Accounting policies

STATKRAFT AS

The annual financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway (Norwegian GAAP).

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Shares in subsidiaries, associates and joint ventures are recognised in accordance with the cost method in Statkraft AS's financial statements. Group contributions received are recognised under dividends from subsidiaries.

VALUATION AND CLASSIFICATION PRINCIPLES

Uncertainty in estimates The financial statements are based on assumptions and estimates that affect the book value of assets, liabilities, revenues and expenses. The best estimates available at the time the financial statements were prepared have been used, but actual figures may differ from the original estimates.

Recognition of revenues and expenses

Revenues derived from the sale of goods and services are recognised when they are earned, while expenses are recognised in accordance with the matching principle. Dividends and Group contributions from subsidiaries are recognised in income in the year they are earned, while dividends from other companies are recognised in accordance with the cash principle. Profits/losses on the sale of ordinary non-current assets are treated as operating revenues or expenses.

Pension costs Statkraft AS's pension schemes are defined benefit plans. The net pension cost for the period is included under salaries and other payroll costs, and comprises the pension benefits accrued during the period, the interest on the estimated liability and the projected yield on pension fund assets. The effect of plan changes that are made retroactively, i.e. where the earning of pension rights is not dependent on continued service time, is recognised directly in the income statement. The effect of plan changes that are not made retroactively is spread over the remaining service life. Deviations in estimates are recognised directly in equity.

Net pension fund assets for overfunded schemes are classified as non-current assets and recognised in the balance sheet at fair value. Net pension liabilities for underfunded schemes are classified as provisions under long-term liabilities.

Taxes Statkraft AS is subject to income tax, which is calculated in accordance with ordinary taxation rules. The tax charge in the income statement comprises taxes payable and changes in deferred tax liabilities/assets. Taxes payable are calculated on the basis of the taxable income for the year. Deferred tax liabilities/assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of losses carried forward. Deferred tax assets are only recognised in the balance sheet to the extent that it is probable that the assets will be realised in the future. Tax related to equity transactions is recognised in equity.

Classification and valuation of assets and liabilities

Assets intended for permanent ownership or long-term use are classified as non-current assets. Other assets are classified as current assets. Receivables falling due for payment within one year are classified as current assets. Similar criteria are applied to the classification of current and long-term loans.

Non-current assets are recognised at cost and are written down to fair value when any impairment in value is not considered to be temporary in nature. Impairments are reversed when the basis for the impairment no longer exists. Non-current assets with a limited useful economic life are depreciated or amortised. Long-term liabilities are recognised in the balance sheet at their nominal value, adjusted for any unamortised premium or discount. Current assets are valued at the lower of cost or fair value. Current liabilities are recognised in the balance sheet at the nominal amount received at the time the liability was incurred.

Intangible assets Costs relating to intangible assets are recognised in the balance sheet at historic cost provided that the requirements for doing so have been met. Intangible assets with a limited useful economic life are depreciated or amortised.

Property, plant and equipment Property, plant and equipment is recognised in the balance sheet and depreciated on a straight-line basis over the expected useful economic life of the assets from the date on which the asset went into ordinary operation. The cost consists solely of directly attributable costs. Indirect administration costs are excluded when recognising own hours in the balance sheet.

Subsidiaries/associates Subsidiaries are companies where the Group has a controlling influence over financial and operational principles. Controlling influence is normally achieved when the company owns more than 50 per cent of the voting shares. Investments are recognised at the cost of the shares and are adjusted for any impairment where necessary. Investments are written down to fair value when the reduction in value is due to causes which cannot be considered transitory. Impairments are reversed when the basis for the impairment no longer exists. Dividends and other distributions are recognised in income the same year they are proposed in the subsidiary. If the dividend exceeds the share of the retained earnings after the purchase, the excess share is deemed to represent a repayment of the invested capital and the distributions are deducted from the value of the investment in the balance sheet. Associates are companies where Statkraft AS has significant influence. Significant influence is normally considered to exist where the company owns or controls 20 to 50 per cent of the voting shares.

Long-term shareholdings All long-term investments are accounted for using the cost method in the single entity financial statements. Dividends received are treated as financial income.

Accounts receivable Accounts receivable and other receivables are recognised at nominal value less provisions for expected losses. Provisions for losses are recognised on the basis of an individual assessment of the receivables concerned.

Short term financial investments Shares, bonds, certificates, etc. that have been classified as current assets are recognised at market value.

Cash and cash equivalents The item Cash and cash equivalents also includes certificates and bonds with short residual terms. The market settlement of derivatives connected with financial activities (cash collateral) is recognised in the balance sheet.

Contingent liabilities Contingent liabilities are recognised in the income statement if it is probable that they will have to be settled. A best estimate is used to calculate the value of the settlement sum.

Long-term liabilities With respect to fixed-rate loans, borrowing costs and premiums or discounts are recorded in accordance with the effective interest-rate method (amortised cost).

Hedging The accounting treatment of financial instruments depends on the reason for entering into the specific agreement. Each agreement is defined either as a hedging transaction or a trading transaction when it is entered into.

Where agreements are treated as hedging transactions in the financial statements, revenues and costs are accrued and classified in the same way as the underlying position. In connection with value hedging, the hedging instrument is recognised in the balance sheet at fair value. In connection with cash flow hedging, unrealised gains and losses on the hedging instrument are not recognised in the balance sheet.

Foreign currency Balance sheet items denominated in foreign currency are valued at the exchange rate in force on the balance sheet date. Currency effects are recognised as financial expenses or income. Gains and losses in connection with currency rate changes for liabilities denominated in foreign currency designated as a hedging instrument for investments in foreign units are recognised in the accounts as adjustment of the book value of the investment. Transactions denominated in foreign currency are converted using the transaction date exchange rate.

Interest Interest instruments defined as hedging instruments are accrued in the same manner as the interest on the hedged interest-bearing liabilities and receivables. Unrealised losses or gains in connection with fixed-interest positions that are part of the hedging operation are not recognised in the accounts.

In the event that loans are repaid before the end of their fixed term (buyback), the gain/loss is recognised in the income statement. Swaps associated with repaid loans are normally terminated. Gains/losses on such swaps are recognised together with the underlying loan.

Cash flow statement format The cash flow statement has been prepared using the indirect method. This means that the statement is based on the company's result for the year in order to show cash flow generated by ordinary operating activities, investing activities and financing activities, respectively.

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STATKRAFT AS

01 → OPERATING REVENUES

Operating revenues mainly consist of intra-group service revenues, including property rental revenues. The cause of the large decline when compared with 2008 is related to the gain from the sale of Statkraft Markets GmbH to Statkraft Germany GmbH for NOK 905 million.

02 → SALARIES AND OTHER PAYROLL COSTS

NOK million	2009	2008
Salaries	212	168
Employer's national insurance contributions	36	30
Pension costs	66	53
Other benefits	17	13
Total	331	264

The average number of full-time equivalents for 2009 was 245 for the parent company, compared with 213 in 2008.

Pension costs are described in further details in Note 3.

For information about salaries and payroll costs for the Group management and the board of directors, see Note 36 in the Group accounts.

03 → PENSIONS

GROUP PENSION SCHEMES

The company is obliged to operate an occupational pension scheme under the Norwegian Act on Mandatory Occupational Pension Schemes. Statkraft AS operates an occupational scheme for its employees through the Norwegian Public Service Pension Fund (SPK) which meets these requirements. The benefits include retirement, disability, surviving spouse and child's pensions. For individuals qualifying for the full entitlement, the scheme provides retirement and disability pension benefits amounting to 66% of pensionable income, up to a maximum of 12 times the National Insurance Scheme's basic amount (G). The company's employees are also entitled to retire early under the early retirement (AFP) scheme from the age of 62. Pension benefits from the SPK are guaranteed by the Norwegian state (Section 1 of the Pension Act).

Statkraft pays an annual premium to the SPK and is responsible for the financing of the scheme. The SPK scheme is, however, not asset-based. Management of the pension fund assets (fictitious assets) is simulated as though the assets were invested in long-term government bonds. In this simulation it is assumed that the bonds are held to maturity.

UNSECURED PENSION LIABILITIES

Statkraft has in addition to the above schemes entered into agreements that provide employees whose pensionable income exceeds 12G with a retirement and disability pension equivalent to 66% of that portion of their pensionable income exceeding 12G. Agreements have also been entered into that provide some members of Group management with a surviving relative and child pension. In addition, Statkraft AS has a surviving relative scheme, which is a continuation of the Statkraft Pension Fund. This scheme ceased to exist in 2003. These pensions are funded out of the company's operations.

Breakdown of pension costs for the period

NOK million	2009	2008
Present value of accrued pension entitlements for the year	54	36
Interest costs on pension liabilities	18	23
Projected yield on pension assets	-6	-6
Net pension costs	66	53

Reconciliation of pension liabilities and pension fund assets

NOK million	2009	2008
Gross pension liabilities	552	499
Pension assets in the Norwegian Public Service Pension Fund	-183	-166
Employer's national insurance contributions	52	44
Net pension liabilities	421	377

Movement in estimate deviations recognised directly in equity

NOK million	2009	2008
Cumulative amount recognised directly in equity before tax 01.01.	159	103
Estimate deviations recognised in equity during the year	4	56
Cumulative amount recognised directly in equity before tax 31.12.	163	159
Of which recognised against equity	146	143
Of which recognised in deferred tax	17	16

Economic assumptions	31.12.09	01.01.09	31.12.08
Discount rate	4.40%	3.70%	3.70%
Salary adjustment	4.25%	4.00%	4.00%
Adjustment of current pensions	4.00%	3.75%	3.75%
Adjustment of National Insurance Scheme's basic amount (G)	4.00%	3.75%	3.75%
Projected yield on fund assets	4.40%	3.70%	3.70%
Forecast annual exit			
– Up to age 45	3.50%	2.50%	2.50%
– Between ages 45 and 60	0.50%	0.50%	0.50%
– Over age 60	0.00%	0.00%	0.00%
Rate of inflation	2.25%	2.00%	2.00%
Tendency to take early retirement (AFP)	10.00%	20.00%	20.00%

The actuarial calculations are based on demographic assumptions ordinarily used in calculating life insurance and pensions. Closing pension liabilities and estimate deviations as of 31 December 2009 are calculated on the basis of updated mortality (K2005) and disability tariffs (IR73).

Assumptions as of 31 December are used to calculate the net pension liability at the end of the year, while assumptions as of 1 January are used to calculate the pension costs for the year.

04 → OTHER OPERATING EXPENSES

NOK million	2009	2008
Materials	15	55
Purchase of third-party services	317	196
Other	265	168
Total	597	419

05 → FEES PAID TO EXTERNAL AUDITORS

Deloitte AS is the Statkraft Group's auditor and audits all of the Group's subsidiaries with the exception of SN Power. The total fees paid for auditing and other services for Statkraft AS for 2009 are broken down as follows:

NOK	2009	2008
Statutory auditing	2 694 000	2 560 000
Other certification services	245 000	121 000
Tax consultancy services	1 267 000	240 000
Other services	1 198 000	125 000
Total	5 404 000	3 046 000

06 → FINANCIAL INCOME AND EXPENSES

Financial income

NOK million	2009	2008
Interest income from Group companies	414	1 418
Interest income	204	243
Other financial income	6 726	34 930
Total	7 344	36 591

Other financial income in 2009 consists mainly of dividends and group contributions from subsidiaries totalling NOK 5208 million. Currency gains from hedging of power sales revenues and currency liabilities as well as a currency loss on loans to subsidiaries amounts to NOK 1348 million.

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Financial expenses

NOK million	2009	2008
Interest expenses paid to Group companies	537	909
Interest expenses	1 297	1 542
Other financial expenses	22	5 603
Total	1 856	8 054

Other financial expenses in 2009 consists of losses on securities and other financial expenses. The changes in other financial expenses is due to the net currency gain being classified as other financial income in 2009 compared to a net currency loss in 2008.

07 → TAXES

The total tax expense is calculated as follows

NOK million	2009	2008
Income tax	443	-
Change in deferred tax	1 034	-586
Total tax expense in the income statement	1 477	-586

Income tax payable

NOK million	2009	2008
Income taxes payable on the profit for the year	443	-
Effect of group contributions on tax liability	-443	-
Income tax payable	-	-

Tax payable in the balance sheet

NOK million	2009	2008
Correction tax	-	-
Tax payable in the balance sheet	-	-

Reconciliation of nominal tax rate and effective tax rate

NOK million	2009	2008
Profit before tax	4 953	29 135
Expected tax expense at a nominal rate of 28%	1 387	8 158
Effect on taxes of:		
Tax-free income	-25	-9 036
Changes concerning previous years	19	-
Other permanent differences, net	96	292
Total tax expense	1 477	-586
Effective tax rate	30%	-2%

BREAKDOWN DEFERRED TAX

The following table provides a breakdown of the net deferred tax liability. Deferred tax assets and liabilities are presented separately in the balance sheet. Deferred tax assets are recognised in the balance sheet to the extent that it is probable that these will be utilised.

NOK million	2009	2008
Current assets/current liabilities	1 783	-25
Property, plant and equipment	-60	-54
Pension liabilities	-421	-379
Loss carryforwards	-	-1 936
Total temporary differences and tax loss carry forwards	1 302	-2 394
Total deferred tax (+)/deferred tax asset (-)	365	-670
Applied tax rate	28%	28%

08 → PROPERTY, PLANT AND EQUIPMENT

NOK million	Other	Facilities under construction	Total
Cost 01.01.09	290	82	372
Additions	44	59	103
Disposals	-2	-100	-102
Transferred from facilities under construction	-	-	-
Cost 31.12.09	332	41	373
Accumulated depreciation and impairments 31.12.09	-255	-	-255
Book value 31.12.09	77	41	118
Depreciation for the year	-40	-	-40
Depreciation period	3-40 years		

09 → SHARES IN SUBSIDIARIES AND ASSOCIATES

NOK million	Registered office	Shareholding and voting rights	Book value
Subsidiaries			
Statkraft Energi AS	Oslo	100%	10 062
Statkraft Carbon Invest AS	Oslo	100%	4
Statkraft Germany GmbH	Düsseldorf	100%	3 608
Statkraft Suomi Oy	Kotka	100%	911
Statkraft Financial Energy AB	Stockholm	100%	-
Statkraft Sverige AB	Stockholm	100%	6 053
Statkraft UK Ltd.	London	100%	827
Statkraft Development AS	Oslo	100%	366
Statkraft Industrial Holding AS	Oslo	100%	13 951
Statkraft Forsikring AS	Oslo	100%	80
Småkraft AS ¹	Bergen	20%	71
Statkraft Western Balkans d.o.o.	Belgrade	100%	24
Renewable Energies and Photovoltaics Spain S.L.	Malaga	70%	4
Statkraft SCA Vind AB	Stockholm	60%	5
Statkraft Värme AB	Kungsbacka	100%	642
Statkraft Treasury Centre SA	Brussels	100%	51 208
Wind Power Bulgaria EOOD	Sofia	60%	12
Statkraft d.o.o.Banja Luka	Banja Luka	100%	-
Statkraft Albania LLC	Tirana	100%	3
Statkraft Norfund Power Invest AS	Oslo	60%	4 553
Statkraft Montenegro d.o.o.	Podgorica	100%	3
Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	Istanbul	95%	710
Ra 1 S.r.l.	Milan	100%	63
Ra 2 S.r.l.	Milan	100%	2
Ra 3 S.r.l.	Milan	100%	59
Statkraft Södra Vindkraft AB	Stockholm	90.1%	147
Statkraft France SAS	Lyon	100%	27
Total subsidiaries			93 395
Associates and joint ventures			
Naturkraft AS	Bærum	50%	76
Devoll Hydropower SHA	Tirana	50%	34
Hydra Tidal Energy Technology AS	Oslo	28%	8
Statkraft Agder Energi Vind DA	Kristiansand	62%	130
Energy Future Invest AS	Oslo	34%	148
HPC Ammerån AB	Stockholm	50%	-
HPC Byske AB	Stockholm	50%	-
HPC Edsox AB	Stockholm	50%	-
HPC Rön AB	Stockholm	50%	-
Total associates and joint ventures			396
Total			93 791

¹ Småkraft AS is jointly owned by Statkraft AS, Skagerak Kraft AS, Trondheim Energi Kraft AS, Agder Energi AS and Bergenshalvøens Kommunale Kraftselskap AS, which each have a 20% shareholding.

10 → OTHER NON-CURRENT FINANCIAL ASSETS

NOK million	2009	2008
Loans to Group companies	13	1 049
Other shares and loans	164	295
Total	177	1 344

11 → RECEIVABLES

NOK million	2009	2008
Interest-bearing restricted funds	215	1 910
Other receivables	1 527	3 702
Current receivables from Group companies	8 040	44 904
Total	9 782	50 516

As of 31 December 2009, no need to recognise a provision for bad debts had been identified.

Other receivables consist of collateral pledged in respect of the negative market value of derivative contracts.

Interest-bearing restricted funds from Group companies comprises dividends and group contribution from subsidiaries totalling NOK 5363 million, as well as intra-group receivables of NOK 2677 million.

12 → CASH AND CASH EQUIVALENTS

NOK million	2009	2008
Certificates and promissory notes	1 023	-
Cash and bank deposits	4 126	241
Total	5 149	241

Cash and bank deposits for 2009 includes NOK 1351 million (-534) relating to cash collateral. Cash collateral represents payments made to/by counterparties as security for net unrealised gains/losses Statkraft has on interest rate and currency swaps. As such gains/losses are not recognised in income, a contra entry amounting to NOK 1522 million (1385) has been recorded under other interest-free liabilities, while NOK 215 million (1910) has been recognised under receivables.

Statkraft has long-term committed drawing facilities of up to NOK 8000 million and a bank overdraft of up to NOK 400 million. Neither had been used as of 31 December 2009.

Figures in parentheses apply to 2008.

13 → EQUITY

NOK million	Paid-in capital			Retained earnings	Paid-in capital
	Share capital	Share premium account	Other paid-in capital		
Equity as of 31.12.07	20 000	11 553	16	819	32 388
Profit for 2008	-	-	-	29 721	29 721
Estimate deviation pensions	-	-	-	-40	-40
Group contribution paid	-	-	-	-10 000	-10 000
Equity as of 31.12.07	20 000	11 553	16	20 500	52 069
Profit for 2009	-	-	-	3 476	3 476
Estimate deviation pensions	-	-	-	-2	-2
Group contribution paid	-	-	-	-7 420	-7 420
Equity as of 31.12.09	20 000	11 553	16	16 554	48 123

The company has a share capital of NOK 20 billion, divided into 200 million shares with a par value of NOK 100. All shares are owned by Statkraft SF.

14 → PROVISIONS

NOK million	2009	2008
Pension liabilities	421	377
Other provisions	141	155
Total	562	532

Pension liabilities are described in further details in Note 3.

15 → LONG TERM INTEREST-BEARING LIABILITIES

NOK million	2009	2008
Loan from Statkraft SF (back-to-back agreement)	1 053	5 165
Bond loans in the Norwegian market	15 605	14 406
Other	-	14
Other loans raised from non-Norwegian markets	16 329	8 458
Total	32 987	28 043

All currency swaps are recognised in Other loans raised from non-Norwegian markets. See Note 20

16 → SHORT-TERM INTEREST-BEARING LIABILITIES

NOK million	2009	2008
First year's instalment of liabilities	5 882	3 651
Group cash pooling liability	8 960	2 377
Certificate loans	1 114	4 509
Cash collateral (see Note 12)	1 522	1 385
Current liabilities to Group companies	349	-
Total	17 827	11 922

17 → MARKET AND LIQUIDITY RISK ANALYSIS

Specification of loans by currency

NOK million	2009	2008
Loans in NOK	21 110	22 062
Loans in SEK	3 183	5 408
Loans in EUR	15 691	8 733
Total	39 984	36 203

The specification includes long-term interest-bearing liabilities, as well as the first-year instalment on liabilities and certificate loans included within short-term interest-bearing liabilities

Nominal average interest rate NOK	4.1%	6.7%
Nominal average interest rate SEK	2.3%	4.9%
Nominal average interest rate EUR	3.9%	5.3%

Fixed interest rate loan portfolio

NOK million	Future interest rate adjustments				Total
	2010	1- 3 years	3-5 years	5 years and more	
Loans in NOK	13 212	302	1 077	6 519	21 110
Loans in SEK	3 183	-	-	-	3 183
Loans in EUR	10 948	-	-	4 743	15 691
Total	27 343	302	1 077	11 262	39 984

The specification includes long-term interest-bearing liabilities, as well as the first-year instalment on liabilities and certificate loans included within short-term interest-bearing liabilities

Repayment schedule

NOK million	2010	2011	2012	2013	2014	After 2014	Total
Loan from Statkraft SF (back-to-back agreement)	3 483	653	-	-	-	400	4 536
Bond loans in the Norwegian market	1 500	2 020	699	-	3 974	8 912	17 105
Other loans raised from non-Norwegian markets	899	638	71	2 484	-	13 652	17 744
Certificate loans in the Norwegian market	1 114	-	-	-	-	-	1 114
Other	69	-	-	-	-	-	69
Currency exchange rate adjustments for currency and interest swap agreements	-769	132	53	-	-	-	-584
Total	6 296	3 443	823	2 484	3 974	22 964	39 984

The specification includes long-term interest-bearing liabilities, as well as the first-year instalment on liabilities and certificate loans included within short-term interest-bearing liabilities

Recognised effects of currency and interest swap agreements in connection with the loans have been allocated to the respective due dates.

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18 → OTHER INTEREST-FREE LIABILITIES

NOK million	2009	2008
Other interest-free liabilities	816	3 707
Current liabilities to Group companies	8 337	11 039
Total	9 153	14 746

Current liabilities to Group companies primarily comprise the Group contribution to the parent company Statkraft SF amounting to about NOK 7863 million. In 2008, the amount was NOK 10 000 million.

19 → OBLIGATIONS AND GUARANTEES

Statkraft AS has off-balance-sheet obligations and guarantees totalling NOK 8074 million. Of this, an amount of NOK 7952 million relates to parent company guarantees.

Statkraft leases an office building at Lilleakerveien 6 in Oslo. The lessor is Mustad Eiendom AS. The agreement has a residual term of 12.5 years with an option to renew for a further ten years. The annual rent totals NOK 61.4 million.

20 → DERIVATIVES

Statkraft trades in financial instruments for various purposes. The accounting treatment adopted for these depends on their purpose as described in the accounting policies note.

Currency and interest rate agreements

Book value and fair value of interest rate and currency instruments:

	31.12.09		31.12.08	
NOK million	Book value	Fair value	Book value	Fair value
Interest rate swaps	-	223	-	469
Forward interest rate agreements	-	-	-	2
Combined interest rate and currency swaps	584	629	980	1 146
Forward currency exchange contracts	203	203	-2 103	-2 103
Total	787	1 055	-1 123	-486

Fair value is calculated on the basis of relevant market prices and forward curves, since the bulk of the instruments are not traded on organised markets.

Interest rate derivatives, including the interest portion of interest rate and currency swaps, are used to manage the company's interest rate risk and are recognised as hedging instruments. These are recognised at cost, which is zero, in the balance sheet. Unrealised losses on the part of the loan contract that is swapped are offset against non-recognised, unrealised gains on fixed-interest loans. The fair value stated in the table does not include accrued interest.

The currency component of the interest rate and currency swaps is recognised at the exchange rate in effect on the balance sheet date. The change in value recognised in the income statement is offset by a comparable change in value of underlying loans in the same currency.

The currency futures are recognised in the balance sheet at fair value, presented gross and included in the accounting lines Other interest-free liabilities and Receivables

21 → RELATED PARTIES

Statkraft AS owns shareholdings in a number of companies. For further details, see Note 9. Transactions with these companies are concluded on market terms and conditions.

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To the Annual Shareholders' Meeting of Statkraft AS

AUDITOR'S REPORT FOR 2009

We have audited the annual financial statements of Statkraft AS as of 31 December 2009, showing a net profit of NOK 3,476 million for the parent company and a net profit of NOK 7,716 million for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the net profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway have been applied to prepare the parent company's financial statements. The group accounts comprise the income statement, the balance sheet, the statement of recognised income and expenses, the statement of changes in equity, the cash flow statement and the accompanying notes. International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We have conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and generally accepted auditing practice, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the parent company's financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as of 31 December 2009, and the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting practice in Norway
- the group accounts are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Group as of 31 December 2009, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the Company's management has fulfilled its duty to see to proper and well arranged recording and documentation of accounting information in accordance with law and generally accepted bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the net profit, is consistent with the financial statements and complies with law and regulations.

Oslo, 17 March 2010
Deloitte ASAase Aa. Lundgaard
State Authorised Public Accountant (Norway)

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Sustainability Statement



ENVIRONMENTALLY FRIENDLY ENERGY

Installed capacity*	Unit of measurement	2009	2008**	2007
Installed capacity	MW	15 806	15 478	12 355
Of which hydropower	MW	12 774	12 546	10 573
Of which small-scale hydropower***	MW	63	-	-
Of which wind power	MW	305	245	245
Of which gas power****	MW	2 160	2 130	1 210
Of which solar power	MW	3	-	-
Of which biofuel	MW	16	16	-
Of which district heating	MW	548	541	327
Geographical distribution				
Norway	MW	11 337	11 070	10 998
Other Nordic	MW	1 547	1 544	358
Other European	MW	2 273	2 247	1 000
Rest of the world	MW	649	621	-

* Includes Statkraft's shareholdings in subsidiaries where Statkraft has a majority interest.

** Includes power plants and district heating plants covered by the E.ON transaction and the consolidation of SN Power, and is applicable from January 2009.

*** Installed capacity <10 MW.

**** Includes the jointly controlled Herdecke (Germany) and Kårstø (Norway) power plants.

Power generation and district heating production*	Unit of measurement	2009	2008	2007
Power production, actual	TWh	56.9	53.4	44.9
Of which hydropower	TWh	50.1	47.4	42.7
Of which small-scale hydropower	TWh	0.1	-	-
Of which wind power	TWh	0.6	0.6	0.7
Of which gas power**	TWh	6.1	5.4	1.5
Of which biofuel	TWh	0.1	-	-
District heating	TWh	0.9	0.5	0.5
Percentage of renewable power production***	%	89.1	89.7	96.4

* Includes Statkraft's shareholdings in subsidiaries where Statkraft has a majority interest.

** Includes the jointly controlled Herdecke (Germany) and Kårstø (Norway) power plants.

*** Non-renewable production covers gas power and district heating based on fossil fuel.



CLIMATE

Greenhouse gas emissions	Unit of measurement	2009	2008	2007
Emissions of CO ₂ equivalents	Tonnes	1 600 100	1 604 700	291 600
Of which from gas power	Tonnes	1 516 500	1 541 300	229 900
Of which from district heating plants (fossil)	Tonnes	74 200	56 400	55 700
Of which from SF ₆ emissions	Tonnes	2 400	2 000	2 000
Of which from halon emissions	Tonnes	1 300	150	1 200
Of which from fuel consumption*	Tonnes	1 500**	3 200	2 800
Of which from business travel***	Tonnes	4 200****	1 600*****	-
SF ₆ emissions	kg	105	89	86
Halon emissions	kg	183	20	303

* CO₂ from fuel consumption from the Group's own equipment and machinery.

** SN Power and Skagerak Energi is not included.

*** Comprises air travel and mileage reimbursements for private vehicle use in the Norwegian operations.

**** SN Power is not included.

***** Skagerak Energi and air travel in Trondheim Energi is not included.

The GHG protocol (from the World Business Council for Sustainable Development and World Resources Institute) divides greenhouse gas emissions into three types. Type 1 emissions are direct emissions from own activities. Type 2 emissions are indirect emissions from purchased electricity and district heating, while Type 3 emissions are other indirect emissions. All the emissions in the table above are Type 1 emissions, except for business travel, which falls under Type 3. The electricity consumption in Statkraft is guaranteed renewable, resulting in zero Type 2 emissions. For 2009, the Group's Type 1 emissions totalled 1 595 900 tonnes, while the Type 3 emissions totalled 4200 tonnes.

Relative greenhouse gas emission (fossil)	Unit of measurement	2009	2008	2007
CO ₂ -equivalent emissions per production unit, total	kg/MWh	29	-	-
CO ₂ -equivalent emissions per production unit, gas power	kg/MWh	396	-	-
CO ₂ -equivalent emissions per production unit, district heating	kg/MWh	82	-	-

Inventories of greenhouse gases	Unit of measurement	2009	2008	2007
SF ₆	kg	26 301*	30 200	23 600
Halon	kg	1 226	1 600	2 200

* SN Power is not included.

Statkraft has been temporarily exempted from the requirement to phase out halon as an explosion suppression medium in transformer rooms. Statkraft Energi AS is currently undertaking tests in order to replace halon with FE-36. A new plan for phasing out the use of halon will subsequently be developed.

CO ₂ -quotas	Unit of measurement	2009	2008	2007
Allocated carbon quotas	Tonnes	1 541 300	1 840 000	-
Of which gas power	Tonnes	1 522 000	1 840 000	-
Of which district heating	Tonnes	19 300	-	-



INTERVENTIONS IN NATURE AND BIOLOGICAL DIVERSITY

Impact* on watercourses	Unit of measurement	2009	2008	2007
Affected river courses with anadromous fish	Number	38	806**	806**
Impact, national salmon rivers	Number	12	12***	12***
Impact, protected rivers	Number	14	32***	32***

* Impact entails changing waterflow.

** The unit is km for the years 2007-2008

*** Attendance was measured for 2007-2008.

Fish management (Norway and Sweden)	Unit of measurement	2009	2008	2007
Restocking of fish and smolt*	Number	957 000**	732 000	593 000
Egg planting	Number	1 981 000**	1 775 000***	1 164 000

* Includes salmon, sea trout, inland trout and char.

** Large increase due to two new plants in Sweden.

*** Large increase due to the reestablishment of salmon stocks in Ranaelva and Røssåga.

Distribution grid and cables	Unit of measurement	2009	2008	2007
Overhead lines				
High voltage (more than 1 kV)	km	4 600	3 500	7 500*
Low voltage (up to 1 kV)	km	4 600	4 600	-
Underground and undersea cables	km	14 100	14 000	-
District heating grid	km	274	170	-

* Total high voltage and low voltage lines.



ENERGY AND RESOURCE CONSUMPTION

Consumption	Unit of measurement	2009	2008	2007
Electricity (not including energy losses at transformer stations and power lines)	GWh	1 359*	828	843
Of which pumped-storage power	GWh	856	595	598
Of which electric boilers for district heating plants	GWh	52	118	107
Of which other operations	GWh	451	115	-
Of which certified renewable (RECS)	%	100	100	100
Fossil fuels				
Natural gas, gas-fired power plants	Million Nm ³	741.2	767.4	116.1
Fuel gas, district heating plants	Tonnes	7 582	5 100	5 500
Fuel oil	Tonnes	5 248	800	2 200
Engine oil**	Tonnes	465***	1 000	900
Other fuel				
Waste for district heating plants	Tonnes	174 500	163 800	138 500
Biofuel	Tonnes	143 100	5 700	5 200
Energy loss				
Transformer stations and power lines	GWh	1 033*	638****	-

* SN Power is not included.

** Includes consumption of fuel for own equipment and machinery.

*** SN Power and Skagerak Energi is not included.

**** Does not include Trondheim Energi.

Inventories	Unit of measurement	2009	2008	2007
Transformer, lubricating and hydraulic oils	m ³	9 318*	5 250	-
PCB in transformer oils and capacitors	kg	25*	-	-

* SN Power is not included.



POLLUTION

Emissions to air	Unit of measurement	2009	2008	2007
SO ₂ from district heating plants	Tonnes	18	16	15
NO _x	Tonnes	1 132	1 225	152
Of which from gas power	Tonnes	824	1 009	- *
Of which from district heating plants	Tonnes	308	216	152

* Data unavailable for the running-in period of the Knapsack gas-fired power plant.

Other emissions and discharges	Unit of measurement	2009	2008	2007
Transformer, lubricating and hydraulic oils*	Tonnes	8	4	6

* Measured only in the Production business area.



WASTE MANAGEMENT

Waste	Unit of measurement	2009	2008	2007
Hazardous waste	Tonnes	39 663*	34 287	26 765
Of which from waste incineration**	Tonnes	39 355	33 811	26 393
Of which other hazardous waste	Tonnes	308	476	372
Other waste	Tonnes	4 598*	1 640	1 268
Percentage of other waste recycled	%	88*	81***	86***
Of which material recycling	%	85*	67***	-
Of which energy recovery	%	3*	14***	-

* SN Power and the regions Sweden and Germany in the Production business are not included.

** Consists of slag, filter dust and filter cake.

*** Only includes the Generation and Markets segment.



ENVIRONMENTAL NON-COMPLIANCES

Environmental incidents and issues	Unit of measurement	2009	2008*	2007*
Serious environmental incidents	Number	0**	1	-
Less serious environmental incidents	Number	118**	21	-
Undesirable environmental conditions	Number	22**	10	-

* The definitions for environmental incidents and issues were changed in 2008. Results for 2008 include July-December only.

** SN Power and the Customers business are not included.

Definitions:

Serious environmental incidents: One environmental incident which had a substantial negative environmental impact.

Less serious environmental incidents: One environmental incident which did not have a substantial negative environmental impact.

Undesirable environmental conditions: Recorded undesirable environmental conditions (which have not resulted in incidents) with high or low environmental risk and/or reputational risk.

Most of the less serious environmental incidents concern short-term breaches of the river management regulations and minor oil spills with little or no environmental impact.

Fines	Unit of measurement	2009	2008	2007
Fines for breaches of environmental legislation				
Number	Number	0	0	1
Total	NOK million	0	0	1.5*

* The fine was due to a generator failure at Trollheim power station in 2005. Profits of NOK 2 million were also confiscated.



CONTRIBUTION TO SOCIETY

Value creation	Unit of measurement	2009	2008	2007
Gross operating revenues	NOK million	25 675	25 061	17 619
Unrealised changes in the value of energy contracts	NOK million	-2 813	4 282	-739
Paid to suppliers for goods and services *	NOK million	9 409	8 242	5 412
Gross value added	NOK million	13 453	21 101	11 468
Depreciation and amortisation	NOK million	2 743	1 553	1 639
Net value added	NOK million	10 710	19 548	9 829
Financial income	NOK million	2 060	26 435**	400
Unrealised changes in value currency and interest rates	NOK million	5 977	-3 102	227
Share of profit from associates	NOK million	1 179	935	2 631
Minority interests	NOK million	184	250	166
Values for distribution	NOK million	19 743	43 566	12 903

* Includes energy purchases, transmission costs and other operating expenses.

** NOK 25 591 million of this is related to the E.ON swap trade.

Distribution of value created	Unit of measurement	2009	2008	2007
Employees				
Gross salaries and benefits	NOK million	2 253	1 594	1 419
Lenders/owners				
Interest	NOK million	3 756	3 066	1 717
Dividend *	NOK million	3 740	10 000	6 837
Taxes **	NOK million	6 202	5 524	3 301
The company				
Change in equity	NOK million	3 792	23 282	-371
Total wealth distributed	NOK million	19 743	43 566	12 903

* Includes dividend and Group contribution from Statkraft AS to Statkraft SF, and minority interests.

** Includes taxes, property tax, licence fees and employers' contribution.

Taxes *	Unit of measurement	2009	2008	2007
Total	NOK million	2 372	-	-
Of which Norway	NOK million	2 215	-	-
Of which in other Nordic countries	NOK million	139	-	-
Of which in other European countries	NOK million	18	-	-
Of which in the rest of the world	NOK million	0	-	-

* Taxes payable in the balance sheet.

Tax contribution to Norwegian municipalities	Unit of measurement	2009	2008	2007
Total	NOK million	1 393.4	1 407.7	1 361.0
Total, the ten municipalities in Norway which receive the most in tax contribution	NOK million	664.3	652.6	630.4
Vinje	NOK million	96.5	91.0	91.8
Hemnes	NOK million	90.7	84.8	84.4
Suldal	NOK million	85.9	81.4	75.8
Rana	NOK million	78.4	75.2	73.1
Eidfjord	NOK million	56.2	52.2	49.8
Tokke	NOK million	55.7	51.4	50.1
Meløy	NOK million	55.4	52.4	46.3
Sirdal	NOK million	52.6	60.9	60.2
Luster	NOK million	47.0	45.6	43.9
Nore og Uvdal	NOK million	46.0	57.7	55.0

The above figures include property tax, natural resource tax and licence fees paid directly to the local authorities.

Industrial and concessionary power contracts	Unit of measurement	2009	2008	2007
Statutory-priced industrial contracts				
Volume sold	TWh	8.8	8.3	10.3
Value lost	NOK million	-981	-1 438	-587
Concessionary fixed-price contracts				
Volume sold	TWh	2.7	2.6	2.9
Value lost	NOK million	-581	-706	-395

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The value lost on statutory-priced and concessionary fixed-price contracts is defined as the estimated loss on politically determined contracts compared with the spot price.

Support schemes	Unit of measurement	2009	2008	2007
Sponsorships	NOK million	26.62	18.75	14.65
Donations to associations and organisations	NOK million	6.16	7.00	5.34
The Statkraft Fund	NOK million	5.0	5.0	2.0

In 2009, the Statkraft Fund was awarded to the Ny-Ålesund Symposium on Svalbard (NOK 2.0 million), Ungt Entreprenørskap (young entrepreneurship) (NOK 1.5 million), CARE (NOK 1.0 million) and Norwegian Church Aid (NOK 0.5 million).

Procurements	Unit of measurement	2009	2008	2007
Suppliers*	Number	7 900	7 500	-
Procurements*	NOK million	4 800	3 900**	3 000**

* Includes both goods and services.

* Does not include Fjordkraft.

Customers	Unit of measurement	2009	2008	2007
Retail customers	Number	397 000	399 000	401 000
Distribution grid customers	Number	275 000	273 000	271 000
District heating customers	Number	10 000	7 000	-



BRANDS

Reputation Statkraft	Unit of measurement	Target	2009	2008	2007
General public*	%	55	63	47	45
Professionals**	%	75	91	80	84

* Percentage of people who have a very good or fairly good overall impression of the company. Source: Synovate

** Professionals include local authority chairmen and councillors, national politicians, employees in public administration, finance and specialist environments and the media.

Customer satisfaction	Unit of measurement	2009	2008	2007
Trondheim Energi Kraftsalg*	Scale 1–100	66	64	64
Fjordkraft*	Scale 1–100	64	64	62
Skagerak Energi**	%	84	89	87

* Satisfaction score in the Norwegian Customer Barometer survey. Source: BI Norwegian School of Management.

** Satisfaction with customer service centre.



ETHICS

Ethical behaviour	Unit of measurement	2009	2008	2007
Reported incidents of possible breaches of the Group's ethical guidelines*	Number	0	1	-
Cases processed by courts of law	Number	0	-	-

Fines and sanctions	Unit of measurement	2009	2008	2007
Number of fines and sanctions*	Number	0	-	-
Total	NOK million	0	-	-

* Fines and sanctions imposed for breaches of laws and regulations related to accountancy, discrimination, corruption, price cooperation, etc.



EMPLOYEES

Employees	Unit of measurement	2009	2008	2007
Full-time equivalents 31.12.	Number	3 378	2 633*	2 287
Of which in Norway	Number	2 441	2 236	-
Of which in other Nordic regions	Number	99	44	-
Of which in other European countries	Number	409	163	-
Of which in the rest of the world	Number	429	7	-
Percentage of full-time employees 31.12.	%	96	95	93
Staff turnover rate **	%	2.3	4.0	5.0
Average service time	Years	12	14	15
Apprentices employed 31.12.	Number	93	48	49
Trainees employed 31.12.	Number	29	35	23

* Including new employees transferred on 31 December 2008 as per the E.ON agreement, totalling 183 full-time equivalents.

** Excluding retirements.

Gender equality	Unit of measurement	2009	2008	2007
Percentage of women				
Total	%	22	24	24
In Norway	%	31	24	-
In other Nordic regions	%	19	14	-
In other European countries	%	18	21	-
In the rest of the world	%	15	-	-
In management positions	%	23*	21	22
In Group management	%	0	17	29
On the board of directors	%	44	44	44
New employees	%	30*	26	27
New managers	%	23*	32	33
Full-time employees	%	22*	21	21
Part-time employees	%	64*	64	74
Equal salaries **				
Total		0.94	0.93	0.95***
Managers		0.92	0.97	1***

* SN Power is not included.

** Average salary for women in relation to average salary for men.

*** Does not include Trondheim Energi, Skagerak Energi and Fjordkraft.

Age	Unit of measurement	2009	2008	2007
Age				
<30	%	9	9	7
30-39	%	25	23	21
40-49	%	31	33	33
50-59	%	27	28	31
>59	%	7	8	8
Average age	Years	45	45	46

Education	Unit of measurement	2009	2008	2007
Competence level				
Secondary school	%	11	12	14
Technician/master craftsman	%	25	31	36
College (1- 3 years)	%	14	18	21
University (>3 years)	%	25	20	20
Undisclosed *	%	26	22	9
Employees on management development programme	Number	236	55	75
Of which the Group's manager development program	Number	116	55	-
Of which other manager development programs	Number	120	-	-
Employees on project management programme	Number	55	301	-
Employees who have participated in the annual appraisal interview	%	89	87	69

* Education statistics for employees at Knapsack, SMC, Graning and Fjordkraft have not been recorded.

Statkraft as employer	Unit of measurement	Target	2009	2008	2007
Organisation and leadership evaluation					
Result	Scale of 1 to 5, where 5 is best	4.0	4.1*	4.1	4.1
Response rate	%	-	91*	87	88
Ranking among					
Business students	Ranking**	-	25	43	53
Technology students	Ranking**	-	5	15	28

* Does not include Fjordkraft.

** Ranking as preferred employer among final-year students. Source: Universum Graduate Survey.

Variable salary scheme	Unit of measurement	2009	2008	2007
Collective variable salaries*	NOK million	43.7	-	-
Individual variable salaries**	NOK million	19.5	21.9	13.4

* Variable schemes in the various companies.

** An individual variable salary scheme has been established in the parent company's Norwegian activities, in SN Power and in Trondheim Energi.



HEALTH AND SAFETY

Fatalities	Unit of measurement	2009	2008	2007
Consolidated operations				
Employees	Number	0	0	0
Contractors	Number	1	0	0
Third party	Number	1	0	0
Associates*	Number	6	9	5

* Including contractors and third parties.

Two people died in accidents in the consolidated operations, one contractor employee in Turkey and a person from the local community in Peru. Six contractor employees died in accidents in projects involving associates (four in India and two in Laos). Four of deceased worked at SN Power's project Allain Duhangan (India), where SN Power owns 43%. A contractor employee died at Yesil Enerji's project in Cakit in Turkey, where Statkraft has an ownership interest of 95 per cent. A person from the local community drowned in a duct in Arcata power plant in Peru, which is wholly owned by SN Power. Two contractor employees died in accidents in Theun Hinboun Power Company (Laos), in which Statkraft owns 20%.

Injuries	Unit of measurement	Target	2009	2008	2007
Employees					
Lost-time injuries*	Number	0	24	20	25
LTI	Lost-time injuries per million hours worked	0	3.8	4.6	5.9
Injuries**	Number	0	53	53	70
TRI	Total recordable injuries per million hours worked	0	8.4	12.1	16.5
Lost-days***	Number	0	229	241	191
Lost-days rate	Lost days per million hours worked	0	36	55	45
Contractors					
Lost-time injuries*	Number		19	5	15
Third parties					
Serious injuries****	Number		0	1	-

* Work-related injuries which have resulted in absence in addition to the day of the accident.

** Work-related injuries, with and without absence. Includes injuries which resulted in absence, medical treatment or need for alternative work assignments.

*** Number of days of recorded absence due to injuries.

**** Recorded injuries requiring treatment by a doctor.

Fines for breach of health and safety legislation	Unit of measurement	2009	2008	2007
Number	Number	0	1*	-
Total	NOK	0	100 000	-

* Accident in the workplace at Smøla in 2006, where an apprentice received an electric shock.

Sickness absence	Unit of measurement	2009	2008	2007
Sickness absence, total	%	3.3	3.9	3.9
Of which short-term absence (16 days or less)	%	1.6	1.8	1.9
Of which long-term absence (more than 16 days)	%	1.7	2.1	2

Hazardous conditions and near-misses*	Unit of measurement	2009	2008	2007
Hazardous conditions** and near-misses***	Number	5 597	4 524	2 275

* Fjordkraft is not included.

** Recorded conditions with risk of personal injury. 2007 and 2008 also include conditions without risk of personal injury.

*** Recorded incidents which could have resulted in personal injury.

Auditors statement



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Independent Auditor's Report on the Statkraft Sustainability Report 2009

To the management of Statkraft AS

We have reviewed certain aspects of Statkraft Sustainability Report 2009 ("the Report") and related management systems and procedures. The Report is part of the Statkraft Annual Report and Sustainability Report 2009 on the Internet (www.annualreport2009.statkraft.com). The Report includes the Sustainability Statement published also in the printed Statkraft Annual Report and Sustainability Report 2009. The Report is the responsibility of and has been approved by the management of Statkraft AS ("the Company"). Our responsibility is to draw a conclusion based on our review.

We have based our work on emerging best practice and standards for independent assurance on sustainability reporting, including ISAE 3000, issued by the International Auditing and Assurance Standards Board as well as on the principles of AA1000 Assurance Standard issued by AccountAbility. The objective and scope of the engagement were agreed with the management of the Company and included those subject matters on which we have concluded below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters. We have performed interviews with management responsible for sustainability aspects at corporate and at selected reporting units represented by the Emden gas power plant, the Kungsbacka district heating plant, and the head office of the Company's subsidiary SN Power.

We believe that our work provides an appropriate basis for us to conclude with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than if an audit-level engagement had been performed. Separate from, and not impacting, our conclusions stated below we have provided "Auditor's commentary and recommendations".

Conclusions

In conclusion, in all material respects, nothing has come to our attention causing us not to believe that:

- Statkraft has established systems to identify, manage and to involve stakeholders on material aspects related to sustainable value creation, as described in the Report, in accordance with the principles of AA1000 Accountability Principles Standard.
- Statkraft applies procedures to identify, collect, compile and validate data and information for 2009 to be included in the Report, as described in the Report. Data presented for 2009 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- The management systems referred to above have been implemented and locally adopted as necessary at the reporting units that we have visited, as specified above. Data for 2009 from these units has been reported according to the procedures noted above and is consistent with source documentation presented to us.
- Statkraft applies a reporting practice for its sustainability reporting aligned with the GRI reporting principles. The GRI Index presented in the Report appropriately reflects where information on each of the elements and indicators of the GRI Sustainability Reporting Guidelines is to be found within in the Statkraft Annual Report and Sustainability Report 2009 on the Internet (www.annualreport2009.statkraft.com).

Oslo, Norway, 17 March 2010
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